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ORDER AUTHORIZING THE ISSUANCE OF NORTHWEST AUSTIN MUNICIPAL UTILITY DISTRICT NO. 1 UNLIMITED TAX REFUNDING BONDS; LEVYING AN AD VALOREM TAX IN SUPPORT OF THE BONDS; APPROVING AN OFFICIAL STATEMENT; AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT; ESTABLISHING PROCEDURES FOR SELLING AND DELIVERING THE BONDS; AND AUTHORIZING OTHER MATTERS RELATED TO THE ISSUANCE OF THE BONDS

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**ORDER AUTHORIZING THE ISSUANCE OF NORTHWEST AUSTIN MUNICIPAL UTILITY DISTRICT NO.1 UNLIMITED TAX REFUNDING BONDS; LEVYING AN AD VALOREM TAX IN SUPPORT OF THE BONDS; APPROVING AN OFFICIAL STATEMENT; AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT; ESTABLISHING PROCEDURES FOR SELLING AND DELIVERING THE BONDS; AND AUTHORIZING OTHER MATTERS RELATED TO THE ISSUANCE OF THE BONDS**

**THE STATE OF TEXAS** §  
**COUNTY OF TRAVIS** §  
**NORTHWEST AUSTIN MUNICIPAL UTILITY DISTRICT NO. 1** §

**WHEREAS**, by Order of the Texas Water Commission dated March 16, 1988, the Northwest Austin Municipal Utility District No. 1 (the "District" was authorized to be created as a municipal utility district operating pursuant to Article 16, Section 59 of the Texas Constitution and Chapter 54 of the Texas Water Code, as amended;

**WHEREAS**, the creation of the District was confirmed at an election held within the District on May 7, 1988 by a vote of 1 to 0 (the "Confirmation Election");

**WHEREAS**, the City of Austin (the "City") has consented to the creation of the District and the issuance of bonds by the District pursuant to the terms and conditions of a Consent Agreement between the City and the District (the "Consent Agreement");

**WHEREAS**, the District has previously issued its bonds entitled "Northwest Austin Municipal Utility District No. 1 Unlimited Tax Bonds, Series 1992" in the aggregate principal amount of \$2,700,000 (the "Series 1992 Bonds"); "Northwest Austin Municipal Utility District No. 1 Unlimited Tax Bonds, Series 1994" in the aggregate principal amount of \$2,000,000 (the "Series 1994 Bonds"); "Northwest Austin Municipal Utility District No. 1 Unlimited Tax Bonds, Series 1997" in the aggregate principal amount of \$1,400,000 (the "Series 1997 Bonds"); "Northwest Austin Municipal Utility District No. 1 Unlimited Tax Bonds, Series, 1999" in the aggregate principal amount of \$1,900,000 (the "Series 1999 Bonds"); "Northwest Austin Municipal Utility District No. 1 Unlimited Tax Bonds, Series 2001" in the aggregate principal amount of \$5,710,000 (the "Series 2001 Bonds"). The District has also issued its "Northwest Austin Municipal District No. 1 Unlimited Tax Refunding Bonds, Series 1998" in the aggregate principal amount of \$3,924,231 (the "Series 1998 Bonds and "Northwest Austin Municipal District No. 1 Unlimited Tax Refunding Bonds, Series 2004" in the aggregate principal amount of \$2,629,998.50 the "Series 2004 Bonds"); Northwest Austin Municipal Utility District No. 1 Unlimited Tax Refunding and Improvement Bonds, Series 2006 in the aggregate principal amount of \$7,994,994.46);

**WHEREAS**, the District now desires to refund all or part of its outstanding Series 1998 Bonds (the "Refundable Bonds", and those Refundable Bonds designated by the Pricing Officer in the Pricing Certificate, each as defined below, to be refunded are herein referred to as the "Refunded Bonds"); and

**WHEREAS**, all the Refunded Bonds mature or are subject to redemption prior to maturity within 20 years of the date of the bonds hereinafter authorized; and

**WHEREAS**, the bonds hereafter authorized are being issued and delivered pursuant to Chapter 1207, Texas Government Code, as amended ("Chapter 1207"); and

**WHEREAS**, Chapter 1207 authorizes the District to issue refunding bonds and to deposit the proceeds from the sale thereof together with any other available funds or resources, directly with a place of payment (paying agent) for the Refunded Bonds or eligible trust company or commercial bank, and such deposit, if made before such payment dates, shall constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds; and

**WHEREAS**, the City has approved the issuance of the bonds hereinafter authorized on October 22, 2009, in accordance with the Consent Agreement;

**WHEREAS**, Chapter 1207 further authorizes the District to enter into an escrow agreement, if appropriate, with respect to the safekeeping, investment, reinvestment, administration and disposition of any such deposit, upon such terms and conditions as the District and such escrow agent may agree, provided that such deposits may be invested and reinvested in Defeasance Securities, as defined herein; and

**WHEREAS**, the Board of Directors of the District deems it advisable and in the best interest of the District to refund the Refunded Bonds in order to achieve a net present value debt service savings of not less than 4.25% with such savings, among other information and terms to be included in a pricing certificate (the "Pricing Certificate") to be executed by the District's President or Vice President or in their absence the Secretary, acting as the designated pricing officer of the District (the "Pricing Officer"), all in accordance with the provisions of Chapter 1207, including Section 1207.007 thereof,

**WHEREAS**, the Board of Directors of the District deems it appropriate and in the best interest of the District to call the Refunded Bonds for redemption on the dates herein provided at a redemption price of par, plus accrued interest to the date of redemption.

**THEREFORE**, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE NORTHWEST AUSTIN MUNICIPAL UTILITY DISTRICT NO. 1:

**ARTICLE ONE**  
**PREAMBLE**

**SECTION 1.01. Incorporation of Preamble.** The Board of Directors of the Northwest Austin Municipal Utility District No. 1 (the "District") hereby incorporates the recitals set forth in the preamble hereto as if set forth in full at this place and further finds and determines that the recitals are true and correct.

**ARTICLE TWO**  
**DEFINITIONS AND INTERPRETATIONS**

**SECTION 2.01. Definitions.** When used in this Order, except in Article Six, and in any resolution, order or order amendatory or supplemental hereto, the terms listed below shall have the meanings specified below, unless it is otherwise expressly provided or unless the context otherwise requires:

“Accreted Value” shall mean, with respect to a Premium Capital Appreciation Bond, as of any particular date of calculation, the original principal amount thereof, plus all interest accrued and compounded to the particular date of calculation, as determined in accordance with the Pricing Certificate and the Accretion Table attached as an exhibit to the Pricing Certificate relating to the Bonds that shows the Accreted Value per \$5,000 maturity amount on the calculation date of maturity to its maturity.

“Additional Bonds” means the additional bonds payable from ad valorem taxes which the Board expressly reserves the right to issue in 11.01 of this Bond Order.

“Authorized Investments” means such investments authorized pursuant to the investment policy of the District and Chapter 2256 of the Government Code, as amended.

“Board of Directors” or “Board” means the governing body of the District.

“Bond Insurer” means the insurer of the bonds, if any, as designated in the Pricing Certificate.

“Bonds” shall mean and include collectively the Premium Capital Appreciation Bonds and Current Interest Bonds initially issued and delivered pursuant to this Order and the Pricing Certificate and all substitute Bonds and Bonds exchanged therefor, as well as all other substitute bonds and replacement bonds issued pursuant hereto, and the term “Bond” shall mean any of the Bonds.

“Bond Order” or “Order” means this Order of the Board of Directors authorizing the issuance of the Bonds.

“Business Day” means any day which is not a Saturday, Sunday or a day on which the Paying Agent/Registrar is authorized by law or executive order to remain closed.

“Current Interest Bonds” shall mean the Bonds paying current interest and maturing in each of the years and in the aggregate principal amounts set forth in the Pricing Certificate.

“Defeasance Securities” means (i) Federal Securities, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, and (iii) noncallable obligations of a state or an agency or a county,

municipality, or other political subdivision of a state that have been refunded and that, on the date the Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm no less than “AAA” or its equivalent.

“District” means Northwest Austin Municipal Utility District No. 1 and any other public agency succeeding to the powers, rights, privileges, and functions of the District and, when appropriate, the Board of Directors of the District.

“Exchange Bonds” means Bonds registered, authenticated, and delivered by the Registrar, as provided in Section 4.01 of this Bond Order.

“Federal Securities” as used herein means direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America (including Interest Strips of the Resolution Funding Corporation).

“Fiscal Year” means the twelve-month accounting period for the District, which presently is the twelve-month period beginning on October 1 of each year and ending on September 30 of the following year, but which may be changed from time to time by the Board of Directors.

“Initial Bond” means the Bond authorized, issued, and initially delivered as provided in Section 3.02 of this Bond Order.

“Interest Payment Date” means a date on which interest on the Bonds is due and payable as set forth in the Pricing Certificate.

“Outstanding” when used with reference to Bonds, means, as of a particular date, all Bonds theretofore and thereupon delivered except; (a) any Bond canceled by or on behalf of the District at or before said date, (b) any Bond defeased or no longer considered Outstanding pursuant to the provisions of this Order or otherwise defeased as permitted by applicable law and (c) any such Bond in lieu of or in substitution for which another Bond shall have been delivered pursuant to this Order.

“Premium Capital Appreciation Bonds” shall mean the Bonds on which no interest is paid prior to maturity, maturing in various amounts and in the aggregate principal amount as set forth in the Pricing Certificate.

“Previously Issued Bonds” means the Series 1997 Bonds, the Series 1998 Bonds, the Series 1999 Bonds, the Series 2001 Bonds, the Series 2004 Bonds, and the Series 2006 Bonds.

“Pricing Certificate” means the Pricing Certificate of the District’s Pricing Officer to be executed and delivered pursuant to Section 3.02 hereof in connection with the Bonds.

“Pricing Officer” means the President or Vice President of the District’s Board of Directors or in their absence the Secretary, acting as the designated pricing officer of the District to execute the Pricing Certificate.



“Record Date” means the 15th day of the month next preceding each Interest Payment Date, whether or not such dates are Business Days.

“Redemption Date” means a date fixed for redemption of any Bond pursuant to the terms of this Bond Order.

“Refundable Bonds” means the outstanding Series 1998 Bonds and any others included in the Pricing Certificate.

“Refunded Bonds” means those Refundable Bonds designated by the Pricing Officer in the Pricing Certificate to be refunded.

“Register” means the registry system maintained on behalf of the District by the Registrar in which are listed the names and addresses of the Registered Owners and the principal amount of Bonds registered in the name of each Registered Owner.

“Registered Owner” or “Owner” means any person or entity in whose name a Bond is registered.

“Registrar” or “Paying Agent/Registrar” means The Bank of New York Trust Mellon Company, Dallas, Texas, or such other bank, trust company, financial institution, or other entity as may hereafter be designated by the District to act as paying agent and registrar for the Bonds in accordance with the terms of this Bond Order.

“Replacement Bonds” means the Bonds authorized by the District to be issued in substitution for lost, apparently destroyed, or wrongfully taken Bonds as provided in Section 4.02 of this Bond Order.

“Series 1997 Bonds” means the Northwest Austin Municipal Utility District No. 1 Unlimited Tax Bonds, Series 1997 issued in the original aggregate principal amount of \$1,400,000.

“Series 1998 Bonds” means the Northwest Austin Municipal Utility District No. 1 Unlimited Tax Refunding Bonds, Series 1998 issued in the original aggregate principal amount of \$3,924,231.

“Series 2001 Bonds” means the Northwest Austin Municipal Utility District No. 1 Unlimited Tax Bonds, Series 2001 issued in the original aggregate principal amount of \$5,710,000.

“Series 2004 Bonds” means the Northwest Austin Municipal Utility No. 1 District Unlimited Tax Bonds, Series 2004 issued in the original aggregate principal amount of \$2,629,999.

“Series 2006 Bonds” means the Northwest Austin Municipal Utility District No. 1 Unlimited Tax Refunding and Improvement Bonds, Series 2006 issued in the original aggregate principal amount of \$7,994,994.

“Series” means each series of Bonds issued, from time to time, pursuant to this Order.

“System” means the water system, sanitary sewer system, and drainage and storm sewer system of the District, including, but not limited to, all works, improvements, facilities, plants, equipment, appliances, interests in property, and contract rights needed therefor and administrative facilities needed in connection therewith, together with any additional or extensions thereto or improvements and replacements thereof.

**SECTION 2.02. Interpretations.** The titles and headings of the articles and sections and the page numbers of this Bond Order have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof. This Bond Order and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to sustain the validity of the Bonds and the validity of the taxes levied in payment thereof.

**ARTICLE THREE**  
**AUTHORIZATION, REGISTRATION, EXECUTION,**  
**AND AUTHENTICATION OF BONDS**

**SECTION 3.01. Amount, Name, Purpose, and Authorization.** Each Bond issued pursuant to this Bond Order shall be known and designated: “NORTHWEST AUSTIN MUNICIPAL UTILITY DISTRICT NO. 1 UNLIMITED TAX REFUNDING BOND, SERIES 2009”, and the Bonds are hereby authorized to be issued and delivered in the maximum aggregate principal amount not to exceed \$2,780,000 for the purpose of refunding the Refunded Bonds and paying certain costs of issuing the Bonds. The title of each of the Bonds shall be designated by the year in which it is awarded pursuant to Section 3.02 below. No Bonds shall be issued under this Bond Order on or before 5:00 p.m. on April 15, 2010.

**SECTION 3.02. Date, Denominations, Numbers, Delegation to Pricing Officer.**

(a) There initially shall be issued, sold and delivered fully registered bonds, without interest coupons, which may be in the form of Current Interest Bonds or Premium Capital Appreciation Bonds, numbered consecutively from R- 1 upward, in the case of Current Interest Bonds, and from PC-1 upward, and in the case of Premium Capital Appreciation Bonds (except the initial Bond delivered to the Attorney General of the State of Texas which shall be numbered T-1 and TPC-1, respectively) payable to the respective initial Registered Owners thereof, or to the registered assignee or assignees of said Bonds or any portion or portions thereof (in each case, the “Registered Owner” or the “Owner”), in the denomination of \$5,000 or any integral multiple thereof with respect to Current Interest Bonds and in the denomination of \$5,000 in Maturity Amount or any integral multiple thereof with respect to Premium Capital Appreciation Bonds (each an “Authorized Denomination”), maturing not later than March 1, 2018, serially or otherwise on the dates, in the years and in the principal amounts, respectively, and dated, all as set forth in the Pricing Certificate to be executed and delivered by the Pricing Officer pursuant to subsection (b) of this Section. The Pricing Certificate is hereby incorporated in and made a part of this Order and shall be filed in the minutes of the Board as a part of this Order.

(b) As authorized by Section 1207.007, Texas Government Code, as amended, the Pricing Officer is hereby authorized to act on behalf of the District in selling and delivering the

Bonds, determining which of the Refundable Bonds shall be refunded and constitute "Refunded Bonds" under this Order and carrying out the other procedures specified in this Order, including determining the date of the Bonds, any additional or different designation or title by which the Bonds shall be known, the price at which the Bonds will be sold, the years in which the Bonds will mature, the principal amount to mature in each of such years, the aggregate principal amount of Current Interest Bonds and Premium Capital Appreciation Bonds, the rate of interest to be borne by each such maturity, the interest payment periods, the dates, price, and terms upon and at which the Bonds shall be subject to redemption prior to maturity at the option of the District, as well as any mandatory sinking fund redemption provisions, and all other matters relating to the issuance, sale, and delivery of the Bonds and the refunding of the Refunded Bonds, all of which shall be specified in the Pricing Certificate; provided that (i) the price to be paid for the Bonds shall not be less than 95% of the aggregate original principal amount thereof plus accrued interest thereon from its date to its delivery, (ii) none of the Bonds shall bear interest at a rate, or yield in the case of Premium Capital Appreciation Bonds, greater than the maximum authorized by law, and (iii) the refunding must produce a present value debt service savings of at least 4.25% and gross savings of not less than \$1, net of any District contribution. In establishing the aggregate principal amount of the Bonds, the Pricing Officer shall establish an amount not to exceed the amount authorized in Section 3.01, which shall be sufficient to provide for the purposes for which the Bonds are authorized and to pay the costs of issuing the Bonds. To achieve the lowest borrowing costs, the Bonds shall be sold to the public on a negotiated basis. The Pricing Officer shall designate the senior managing underwriter for the Bonds and such additional investment banking firms as he or she deems appropriate to assure that the Bonds are sold on the most advantageous terms. The Pricing Officer, acting for and on behalf of the District, is authorized to enter into and carry out a bond purchase agreement with the underwriter(s) at such price, with and subject to such terms as determined by the Pricing Officer. In the event the bond purchase agreement shall not be executed on or before 5:00 p.m. on 180 days after the adoption of this Order, the delegation to the Pricing Officer pursuant to this Order shall cease to be effective unless the District shall act to extend such delegation.

(c) The Current Interest Bonds shall bear interest calculated on the basis of a 360-day year composed of twelve 30-day months from the dates specified in the FORM OF BONDS set forth in this Order to their respective dates of maturity or redemption at the rates per annum set forth in the Pricing Certificate.

The Premium Capital Appreciation Bonds shall bear interest from the Issuance Date, calculated on the basis of a 360-day year composed of twelve 30-day months (subject to rounding to the Compounded Amounts thereof), compounded semiannually on the dates set forth in the Pricing Certificate (the "Compounding Dates") commencing on the date set forth in the Pricing Certificate, and payable, together with the principal amount thereof, in the manner provided in the Form of Bonds at the rates set forth in the Pricing Certificate. Attached to the Pricing Certificate, if Premium Capital Appreciation Bonds are to be issued, shall be an Exhibit (the "Accretion Table") that will set forth the rounded original principal amounts at the Issuance Date for the Premium Capital Appreciation Bonds and the Accreted Values and Maturity Amounts thereof (per \$5,000 Maturity Amount) as of each Compounding Date, commencing the date set forth in the Pricing Certificate, and continuing until the final maturity of such Premium Capital Appreciation Bonds. The Accreted Value with respect to any date other than a Compounding Date is the amount set forth on the Accretion Table with respect to the last

preceding Compounding Date, plus the portion of the difference between such amount and the amount set forth on the Accretion Table with respect to the next succeeding Compounding Date that the number of days (based on 30-day months) from such last preceding Compounding Date to the date for which such determination is being calculated bears to the total number of days (based on 30-day months) from such last preceding Compounding Date to the next succeeding Compounding Date.

**SECTION 3.03.      Reserved.**

**SECTION 3.04.      Payment of Principal and Interest.** The Registrar is hereby appointed as the paying agent for the Bonds. The principal of the Bonds, shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America, upon their presentation and surrender as they become due and payable, whether at maturity or by prior redemption in the case of the Bonds, at the office for payment of the Registrar. The interest on each Bond shall be payable on as set forth in the Pricing Certificate by check or draft payable on the Interest Payment Date, mailed by the Registrar on or before each Interest Payment Date to the Registered Owner as shown on the Register on the Record Date or, at the request of a Registered Owner, and at the Registered Owner's risk and expense, in such other manner as may be acceptable to the Registered Owner and the Registrar. Any accrued interest payable at maturity or earlier redemption, in the case of the Bonds, shall be paid upon presentation and surrender of the Bond to which such interest appertains.

If the date for payment on any Bond is not a Business Day, then the date for such payment shall be the next succeeding Business Day, and payment on such date shall have the same force and effect as if made on the original date payment was due.

**SECTION 3.05.      Successor Registrars.** The District covenants that at all times while any Bonds are outstanding it will provide a bank, trust company, financial institution or other entity duly qualified and duly authorized to act as Registrar for the Bonds. The District reserves the right to change the Registrar on not less than 60 days written notice to the Registrar, so long as any such notice is effective at such time as to not disrupt payment on the next succeeding principal or interest payment date on the Bonds. Promptly upon the appointment of any successor Registrar, the previous Registrar shall deliver the Register or copies thereof to the new Registrar, and the new Registrar shall notify each Registered Owner, by United States mail, first-class postage prepaid, of such change and of the address of the new Registrar. Each Registrar hereunder, by acting in that capacity, shall be deemed to have agreed to the provisions of this Section.

**SECTION 3.06.      Special Record Date.** If interest on any Bond is not paid on any Interest Payment Date and continues unpaid for 30 days thereafter, the Registrar shall establish a new record date for the payment of such interest, to be known as a Special Record Date. The Registrar shall establish a Special Record Date when funds to make such interest payment are received from or on behalf of the District. Such Special Record Date shall be 15 days prior to the date fixed for payment of such past due interest, and notice of the date of payment and the Special Record Date shall be sent by United States mail, first-class, postage prepaid, not later

than 5 days prior to the Special Record Date, to each affected Registered Owner of record as of the close of business on the day prior to the mailing of such notice.

**SECTION 3.07. Registered Owners.** The District, the Registrar and any other person may treat the person in whose name any Bond is registered as the absolute Registered Owner of such Bond for the purpose of making payment of principal or interest on such Bond, and for all other purposes, whether or not such Bond is overdue, and neither the District, nor the Registrar shall be bound by any notice or knowledge to the contrary. All payments made to the person deemed to be the Registered Owner of any Bond in accordance with this Section 3.07 shall be valid and effectual and shall discharge the liability of the District and the Registrar upon such Bond to the extent of the sums paid.

**SECTION 3.08. Execution of Bonds.** The Bonds shall be signed on behalf of the District by the President of the Board of Directors and attested by the Secretary or Assistant Secretary, by their manual, lithographed, or facsimile signatures, and the official seal of the District shall be impressed or placed in facsimile thereon. The facsimile signatures on the Bonds shall have the same effect as if each of the Bonds had been signed manually and in person by each of said officers, and the facsimile seal on the Bonds shall have the same effect as if the official seal of the District had been manually impressed upon each of the Bonds. If any officer of the District whose manual or facsimile signature appears on the Bonds shall cease to be such officer before the authentication of such Bonds or before the delivery of such Bonds, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in such office.

**SECTION 3.09. Authentication.** The Initial Bond shall bear thereon a certificate of registration of the Comptroller of Public Accounts of the State of Texas, substantially in the form provided in Section 6.02 of this Bond Order, manually executed by the Comptroller or a duly authorized deputy. All other Bonds shall bear a certificate of authentication, substantially in the form provided in Section 6.03 of this Bond Order, manually executed by an authorized officer of the Registrar. No Bond shall be valid or obligatory for any purpose unless either the registration certificate of the Comptroller or the authentication certificate of the Registrar has been signed by a duly authorized officer thereof.

## **ARTICLE FOUR** **REGISTRATION, TRANSFER, AND EXCHANGE**

**SECTION 4.01. Registration, Transfer, and Exchange.** So long as any Bonds remain Outstanding, the Registrar shall keep at its designated office for payment the Register, in which, subject to such reasonable regulations as it may prescribe, the Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of this Bond Order.

Each Bond shall be transferable only upon the presentation and surrender thereof at a the designated office for payment of the Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or an authorized representative in form satisfactory to the Registrar. Upon due presentation of any Bond for transfer, the Registrar shall authenticate and deliver in exchange therefor, within 72 hours after such presentation, a new Bond or Bonds of the same type, registered in the name of the transferee or transferees, in

authorized denominations and of the same maturity and aggregate principal amount, and bearing interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the designated office for payment of the Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination, in an aggregate principal amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Registrar shall be and is hereby authorized to authenticate and deliver exchange Bonds in accordance with the provisions of this Section 4.01. Each Bond delivered in accordance with this Section 4.01 shall be entitled to the benefits and security of this Bond Order to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

The District or the Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Registrar for such transfer or exchange shall be paid by the District.

**SECTION 4.02. Mutilated, Lost, or Stolen Bonds.** Upon the presentation and surrender to the Registrar of a mutilated Bond, the Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall execute and the Registrar shall authenticate and deliver a replacement Bond of like amount, bearing a number not contemporaneously outstanding.

The District or the Registrar may require the Registered Owner of a mutilated Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith and any other expenses connected therewith, including apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall execute and the Registrar shall authenticate and deliver a replacement Bond of like amount, bearing a number not contemporaneously outstanding.

The District or the Registrar may require the Registered Owner of a mutilated Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith and any other expenses connected therewith, including the fees and expenses of the Registrar. The District or the Registrar may require the Registered Owner of a lost, apparently destroyed or wrongfully taken Bond, before any replacement Bond is issued, to:

- (a) furnish to the District and the Registrar satisfactory evidence of the ownership of and the circumstances of the loss, destruction or theft of such Bond;
- (b) furnish such security or indemnity as may be required by the Registrar and the District to save them harmless;

- (c) pay all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees of the Registrar and any tax or other governmental charge that may be imposed; and
- (d) meet any other reasonable requirements of the District and the Registrar.

If, after the delivery of such replacement Bond, a bona fide purchaser of the original Bond which such replacement Bond was issued presents for payment such original Bond, the District and the Registrar shall be entitled to recover such replacement Bond from the person to whom it was delivered or any person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the District or the Registrar in connection therewith.

If any such mutilated, lost, apparently destroyed or wrongfully taken Bond has become or is about to become due and payable, the District in its discretion may, instead of issuing a replacement Bond, authorize the Registrar to pay such Bond.

Each replacement Bond delivered in accordance with this Section 4.02 shall be entitled to the benefits and security of this Bond Order to the same extent as the Bond or Bonds in lieu of which such replacement is delivered.

**SECTION 4.03. Cancellation of Bonds.** All Bonds paid in accordance with this Bond Order, and all Bonds in lieu of which exchange Bonds or replacement Bonds are authenticated, registered, and delivered in accordance herewith, shall be canceled and destroyed upon the making of proper records regarding such payment, redemption, exchange, or replacement. This Registrar shall furnish the District with appropriate certificates of destruction of such Bonds.

**SECTION 4.04. Book-Entry-Only System.** (a) Book-Entry-Only System. The Bonds issued in exchange for the Initial Bond issued as provided in Section 3.02 shall be issued in the form of a separate single fully registered Bond for each of the maturities thereof registered in the name of Cede & Co., as nominee of The Depository Trust Company of New York ("DTC") and except as provided in subsection (b) hereof, all of the outstanding Bonds shall be registered in the name of Cede & Co., as nominee of DTC.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the District and the Paying Agent/Registrar shall have no responsibility or obligation to any securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC participants (the "DTC Participant") or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the District and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than a Registered Owner, as shown on the Registration Books, of any notice with respect to the Bonds, or (iii) the payment to any DTC Participant or any person, other than a Registered Owner, as shown in the Registration Books of

any amount with respect to principal of or interest on the Bonds. Notwithstanding any other provision of this Order to the contrary, but to the extent permitted by law, the District and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Registration Books as the absolute owner of such Bond for the purpose of payment of principal of and interest, with respect to such Bond, for the purposes of registering transfers with respect to such Bond, and for all other purposes of registering transfers with respect to such Bonds, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of and interest on the Bonds only to or upon the order of the respective Registered Owners, as shown in the Registration Books as provided in this Order, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of principal of and interest on the Bonds to the extent of the sum or sums so paid. No person other than a Registered Owner, as shown in the Registration Books, shall receive a Bond evidencing the obligation of the District to make payments of principal, and interest pursuant to this Order. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Order with respect to interest checks being mailed to the registered owner at the close of business on the Record Date the word "Cede & Co." in this Order shall refer to such new nominee of DTC.

(b) Successor Securities Depository Transfer Outside Book-Entry-Only System. In the event that the District determines to discontinue the book-entry system through DTC or a successor or DTC determines to discontinue providing its services with respect to the Bonds, the District shall either (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC accounts. In such event, the Bonds shall no longer be restricted to being registered in the Registration Books in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names the Registered Owner transferring or exchanging Bond shall designate, in accordance with the provisions of this Order.

(c) Payments to Cede & Co. Notwithstanding any other provision of this Order to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the Letter of Representations of the District to DTC.

(d) Initial Bond. The Bonds herein authorized shall be initially issued as a fully registered bond, being one Bond, and the Initial Bond shall be registered in the name of the Underwriter or the designees thereof. The Initial Bond shall be the Bond submitted to the Office of the Attorney General of the State of Texas for approval, certified and registered by the Office of the Comptroller of Public Accounts of the State of Texas and delivered to the Underwriter. Immediately after the delivery of the Initial Bond on the closing date, the Paying Agent/Registrar shall cancel the Initial Bond delivered hereunder and exchange therefor Bonds in the form of a



separate single fully registered Bond for each of the maturities thereof registered in the name of Cede & Co., as nominee of DTC and except as provided in Section 3.02, all of the outstanding Bonds shall be registered in the name of Cede & Co., as nominee of DTC.

**ARTICLE FIVE**  
**REDEMPTION OF BONDS BEFORE MATURITY**

**SECTION 5.01.**     **Redemption of Bonds.** The Bonds are subject to redemption as set forth in the Pricing Certificate.

**ARTICLE SIX**  
**FORM OF BOND**

**SECTION 6.01.**     **Form of Bond.** The Bonds authorized by this Bond Order shall be in substantially the following form, with such omissions, insertions, and variations, including variations in form, spacing, and style, as may be necessary and desirable and consistent with the terms of this Bond Order and the Pricing Certificate. The District shall provide sufficient printed bond forms, duly executed by the District, to the Registrar for registration, authentication, and delivery of the Bonds in accordance with the provisions of this Bond Order.

**FORM OF BOND**

**UNITED STATES OF AMERICA**  
**STATE OF TEXAS**

**NORTHWEST AUSTIN MUNICIPAL UTILITY DISTRICT NO. 1**  
**UNLIMITED TAX REFUNDING BOND SERIES**

**[FORM OF FIRST PARAGRAPHS OF CURRENT INTEREST BONDS]**

<b>NO. R-</b>	<b>PRINCIPAL AMOUNT</b>
	\$ _____

<b><u>INTEREST RATE</u></b>	<b><u>DATE OF BONDS</u></b>	<b><u>MATURITY DATE</u></b>	<b><u>CUSIP NO.</u></b>
_____			

**REGISTERED OWNER:**

**PRINCIPAL AMOUNT:**

**ON THE MATURITY DATE** specified above, **NORTHWEST AUSTIN MUNICIPAL UTILITY DISTRICT NO. 1** (the "District"), being a political subdivision of the State of Texas, hereby promises to pay to the Registered Owner set forth above, or registered assign (hereinafter called the "Registered Owner") the principal amount set forth above, and to pay interest thereon calculated on the basis of a 360 day year of twelve 30 day months, from

\_\_\_\_\_ \* on \_\_\_\_\_ \* and semiannually on each \_\_\_\_\_ \* and \_\_\_\_\_ \* thereafter (an "Interest Payment Date") to the maturity date specified above, or the date of redemption prior to maturity, at the interest rate per annum specified above; except that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such principal amount shall bear interest from the Interest Payment Date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following Interest Payment Date, in which case such principal amount shall bear interest from such next following Interest Payment Date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged or converted from is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full. Notwithstanding the foregoing, during any period in which ownership of the Bonds is determined only by a book entry at a securities depository for the Bonds, any payment to the securities depository, or its nominee or registered assigns, shall be made in accordance with existing arrangements between the District and the securities depository.

**THE PRINCIPAL OF AND INTEREST ON** this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for its redemption prior to maturity at \_\_\_\_\_, which is the "Registrar" or "Paying Agent/Registrar" for this Bond, at its designated office for payment in Texas. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each Interest Payment Date by check or draft, dated as of such Interest Payment Date, drawn by the Registrar on, and payable solely from, funds of the District required by the order authorizing the issuance of the Bonds (the "Bond Order") to be on deposit with the Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Registrar by United States mail, first-class postage prepaid, on or before each such Interest Payment Date, to the Registered Owner hereof, at its address as it appeared on the fifteenth (15th) calendar day of the month next preceding each such date whether or not a business day (the "Record Date") on the Register kept by the Registrar listing the names and addresses of the Registered Owners (the "Register"). In addition, interest may be paid by such other method, acceptable to the Registrar, requested by, and at the risk and expense of, the Registered Owner. In the event of a non-payment of interest on a scheduled payment date, and for 30 calendar days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 calendar days after the Special Record Date) shall be sent at least 5 business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Registered Owner as it appears on the Register at the close of business on the last business day next preceding the date of mailing of such notice.

**DURING ANY PERIOD** in which ownership of the Bonds is determined only by a book entry at a securities depository for the Bonds, if fewer than all of the Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity and bearing such interest rate shall be selected in accordance with the arrangements between the District and the securities depository.

**ANY ACCRUED INTEREST** due at maturity or upon the redemption of this Bond prior to maturity as provided herein shall be paid to the Registered Owner upon presentation and surrender of this Bond for payment at the designated office for payment of the Paying Agent/Registrar. The District covenants with the Registered Owner of this Bond that on or before each principal payment date, interest payment date, and any redemption date for this Bond it will make available to the Registrar, from the "Bond Fund" the creation of which is affirmed by the Bond Order, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due.

**[FORM OF FIRST PARAGRAPHS  
OF PREMIUM CAPITAL APPRECIATION BOND]**

**NO. PC-**

**MATURITY  
AMOUNT**

**\$ \_\_\_\_\_**

**INTEREST RATE**

**DATE OF BONDS**

**MATURITY DATE**

**CUSIP NO.**

\_\_\_\_\_

**REGISTERED OWNER:**

**MATURITY AMOUNT:**

**ON THE MATURITY DATE SPECIFIED ABOVE, NORTHWEST AUSTIN MUNICIPAL UTILITY DISTRICT NO. 1** (the "District"), being a political subdivision of the State of Texas, hereby promises to pay to the Registered Owner set forth above, or registered assigns (hereinafter called the "Registered Owner") the Maturity Amount set forth above, representing the principal amount hereof and accrued and compounded interest hereon. Interest shall accrue on the principal amount hereof from the Issuance Date at the interest rate per annum specified above, calculated on the basis of a 360 day year comprised of twelve 30 day months, compounded semiannually on \_\_\_\_\_\* and \_\_\_\_\_\* of each year commencing \_\_\_\_\_, 20\_\_\*. For convenience of reference a table of the "Accreted Value" per \$5,000 Maturity Amount is printed on the reverse side of this Bond. The term "Accreted Value" as set forth in the table on the reverse side hereof shall mean the original principal amount plus initial premium per \$5,000 Maturity Amount compounded semiannually on \* and \* at the yield shown on such table.

**THE MATURITY AMOUNT** of this Bond is payable in lawful money of the United States of America, without exchange or collection charges. The Maturity Amount of this Bond shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at maturity, at the designated office for payment of \$\_\_\_\_\_, \_\_\_\_\_, Texas, which is the "Paying Agent/Registrar" for this Bond, and shall be drawn by the Paying Agent/Registrar on,

and solely from, funds of the District required by the order authorizing the issuance of the Bonds (the "Bond Order") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided, payable to the Registered Owner hereof, as it appears on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. The District covenants with the Registered Owner of this Bond that on or before the Maturity Date for this Bond it will make available to the Paying Agent/Registrar, from the "Bond Fund" created by the Bond Order, the amounts required to provide for the payment, in immediately available funds of the Maturity Amount, when due. Notwithstanding the foregoing, during any period in which ownership of the Bonds is determined only by a book entry at a securities depository for the Bonds, any payment to the securities depository, or its nominee or registered assigns, shall be made in accordance with existing arrangements between the District and the securities depository.

**[FORM OF REMAINDER OF EACH BOND]**

**IF THE DATE** for any payment due on this Bond shall be a Saturday, Sunday, or a day on which the Paying Agent/Registrar is authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, or day on which the Paying Agent/Registrar is authorized by law or executive order to remain closed; and payment on such date shall have the same force and effect as if made on the original date payment was due.

**THIS BOND** is one of a series of Bonds dated as of \_\_\_\_\_ and authorized to be issued pursuant to the Bond Order adopted by the Board of Directors of the District in the principal amount of \$\_\_\_\_\_ \* [constituting \$\_\_\_\_\_ Current Interest Bonds and \$\_\_\_\_\_ Premium Capital Appreciation Bonds] **FOR PURPOSES OF REFUNDING THE REFUNDED BONDS AND PAYING CERTAIN COSTS OF ISSUING THE BONDS.** Terms used herein and not otherwise defined shall have the meanings given in the Bond Order.

**ON \_\_\_\_\_, 20\_\_ \* OR ON ANY DATE THEREAFTER**, the Current Interest Bonds maturing on and after \_\_\_\_\_, 20\_\_ , may be redeemed prior to their scheduled maturities, at the option of the District, with funds derived from any available and lawful source, at a redemption price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption as a whole, or from time to time in part, and, if in part, the particular Current Interest Bonds, or portions thereof, to be redeemed shall be selected and designated by the District, and if less than all of a maturity is to be redeemed the Registrar shall determine by lot the Current Interest Bonds, or portions thereof within such maturity to be redeemed (provided that a portion of a Current Interest Bond may be redeemed only in integral multiples of \$5,000 of principal amount). [The Premium Capital Appreciation Bonds are not subject to redemption prior to maturity.]\*

**AT LEAST** 30 calendar days prior to the date fixed for any redemption of Current Interest Bonds or portions thereof prior to maturity a written notice of such redemption shall be sent by the Registrar by United States mail, first-class postage prepaid, to the Registered Owner of each Current Interest Bond to be redeemed at its address as it appeared on the Register on the 45th calendar day prior to such redemption date and to major securities depositories and bond

information services. By the date fixed for any such redemption due provision shall be made with the Registrar for the payment of the required redemption price for the Current Interest Bonds or portions for which such payment is made, all as provided above. The Current Interest Bonds or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the Registered Owner to receive the redemption price from the Registrar out of the funds provided for such payment. If a portion of any Current Interest Bond shall be redeemed, a substitute Current Interest Bond or Bonds having the same maturity date, bearing interest at the same rate, in any authorized denomination or denominations, at the written request of the Registered Owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the Registered Owner upon the surrender thereof for cancellation, at the expense of the District, all as provided in the Bond Order.

**ALL BONDS OF THIS SERIES** are issuable solely as fully registered Bonds, without interest coupons, in the principal denomination in the case of the Bonds, of any integral multiple of \$5,000. As provided in the Bond Order, this Bond may, at the request of the Registered Owner or the assignee or assignees hereof, be assigned, transferred, converted into and exchanged for a like aggregate amount of fully registered Bonds, without interest coupons, payable to the appropriate Registered Owner, assignee or assignees, as the case may be, having any authorized denomination or denominations as requested in writing by the appropriate Registered Owner, assignee or assignees, as the case may be, upon surrender of this Bond to the Registrar for cancellation, all in accordance with the form and procedures set forth in the Bond Order. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Registrar, evidencing assignment of this Bond or any portion or portions hereof in any authorized denomination to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be registered. The-Form of Assignment printed or endorsed on this Bond may be executed by the Registered Owner to evidence the assignment hereof, but such method is not exclusive, and other instruments of assignment satisfactory to the Registrar may be used to evidence the assignment of this Bond or any portion or portions hereof from time to time by the Registered Owner. The Registrar's reasonable standard or customary fees and charges for assigning, transferring, converting and exchanging any Bond or portion thereof will be paid by the District. In any circumstance, any taxes or governmental charges required to be paid with respect thereto shall be paid by the one requesting such assignment, transfer, conversion or exchange, as a condition precedent to the exercise of such privilege. The Registrar shall not be required to make any such transfer, conversion or exchange of any Bond or any portion thereof (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or Interest Payment Date or (ii) within 45 calendar days prior to its redemption date; provided, however, such limitation on transferability shall not be applicable to an exchange by the Registered Owner of the unredeemed balance hereof in the event of its redemption in part.

**WHENEVER** the beneficial ownership of this Bond is determined by a book entry at a securities depository for the Bonds, the foregoing requirements of holding, delivering or transferring this Bond shall be modified to require the appropriate person or entity to meet the

requirements of the securities depository as to registering or transferring the book entry to produce the same effect.

**IN THE EVENT** any Registrar for the Bonds is changed by the District, resigns, or otherwise ceases to act as such, the District has covenanted in the Bond Order that it promptly will appoint a competent and legally qualified substitute therefor, and cause written notice thereof to be mailed to the Registered Owners of the Bonds.

**THE BONDS** are payable from the proceeds of an ad valorem tax, without legal limit as to rate or amount, levied upon all taxable property within the District. The Bond Order provides that the District reserves the right to consolidate with one or more conservation and reclamation districts, to consolidate its waterworks and sewer systems with the systems of such districts, and to secure the Bonds and any other bonds of the District or such districts by a pledge of the net revenues of the consolidated system. The Bond Order further provides that the pledge of taxes, to the payment of the Bonds shall terminate at such time, if ever, as (i) money and/or defeasance obligations in an amount sufficient to defease the Bonds is deposited with or made available to the Registrar in accordance with the Bond Order or (ii) a city dissolves the District, and assumes the obligations of the District pursuant to existing Texas law.

**THE BONDS** are issued pursuant to the Bond Order, whereunder the District covenants to levy a continuing direct annual ad valorem tax, without legal limit as to rate or amount, on taxable property within the District, for each year while any part of the Bonds are considered outstanding under the provisions of the Bond Order, in sufficient amount, together with revenues and receipts available from other sources which are equally available for such purposes, to pay interest on the Bonds as it becomes due, to provide a sinking fund for the payment of the principal of the Bonds when due or the redemption price at any earlier required redemption date with respect to the Bonds, and to pay the expenses of assessing and collecting such tax, all as more specifically provided in the Bond Order. Reference is hereby made to the Bond Order for provisions with respect to the operation and maintenance of the District's facilities, the custody and application of funds, remedies in the event of a default hereunder or thereunder, and the other rights of the Registered Owners of the Bonds. By acceptance of this Bond the Registered Owner hereof consents to all of the provisions of the Bond Order, a certified copy of which is on file in the office of the District.

**THE OBLIGATION** to pay the principal of and the interest on this Bond is solely and exclusively the obligation of the District until such time, if ever, as the District is abolished and this Bond is assumed as described above. No other entity, including the State of Texas, any political subdivision thereof other than the District, or any other public or private body, is obligated, directly, indirectly, contingently, or in any other manner, to pay the principal of or the interest on this Bond from any source whatsoever. No part of the physical properties of the District, including the properties provided by the proceeds of the Bonds, is encumbered by any lien for the benefit of the Registered Owner of this Bond.

**THE DISTRICT RESERVES THE RIGHT** to issue additional bonds heretofore or hereafter duly authorized at elections held in the District payable from a lien on and pledge of taxes; bonds, notes and other obligations of inferior liens, and revenue bonds, notes and other obligations payable solely from revenues of the District or revenues to be received under

contracts with other persons, including private corporations, municipalities and political subdivisions or from any other source. The District further reserves the right to issue refunding bonds in any manner permitted by law to refund any bonds (including the Bonds) at or prior to their respective dates of maturity or redemption.

**TO THE EXTENT** permitted by and in the manner provided in the Bond Order, the terms and provisions of the Bond Order and the rights of the Registered Owners of the Bonds may be modified with, in certain circumstances, the consent of the Registered Owners of a majority in aggregate principal amount of the Bonds affected thereby; provided, however, that, without the consent of the Registered Owners of all of the Bonds affected, no such modification shall (i) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (ii) give any preference to any Bond over any other Bond, or (iii) reduce the aggregate principal amount of the Bonds required for consent to any such modification.

**THIS BOND** shall not be valid or obligatory for any purpose or be entitled to any benefit under the Bond Order unless this Bond either (a) is registered by the Comptroller of Public Accounts of the State of Texas as evidenced by execution of the registration certificate endorsed hereon or (b) is authenticated as evidenced by execution of the authentication certificate endorsed hereon by the Registrar.

**IT IS HEREBY CERTIFIED, COVENANTED, AND REPRESENTED** that all acts, conditions, and things necessary to be done precedent to the issuance of the Bonds in order to render the same legal, valid, and binding obligations of the District have happened and have been accomplished and performed in regular and due time, form, and manner, as required by law; that provision has been made for the payment of the principal of and interest on the Bonds by the levy of a continuing, direct annual ad valorem tax upon all taxable property within the District and that issuance of the Bonds does not exceed any constitutional or statutory limitation. In the event that any provisions herein contained do or would, presently or prospectively, operate to make any part hereof void or voidable, such provisions shall be without effect or prejudice to the remaining provisions hereof, which shall nevertheless remain operative, and such violative provisions, if any, shall be reformed by a court of competent jurisdiction within the limits of the laws of the State of Texas.

**IT IS FURTHER CERTIFIED** that the District has designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986.

**IN WITNESS WHEREOF**, the District has caused this Bond to be signed with the manual or facsimile signature of the President or Vice President of the Board of Directors of the District and countersigned with the manual or facsimile signature of the Secretary or Assistant Secretary of the Board of Directors of the District, and has caused the official seal of the District to be duly impressed, or placed in facsimile, on this Bond.

**NORTHWEST AUSTIN MUNICIPAL  
UTILITY DISTRICT**

\_\_\_\_\_  
Secretary [Assistant Secretary],  
Board of Directors

\_\_\_\_\_  
President [Vice President],  
Board of Directors

(DISTRICT SEAL)

**INSERTIONS FOR THE INITIAL BOND**

1. The Initial Current Interest Bond shall be in the form set forth in this Section, except that:
  - A. immediately under the name of the Current Interest Bond, the headings “INTEREST RATE” and “MATURITY DATE” shall both be completed with the words “As shown below” and “CUSIP NO.” shall be deleted.
  - B. the first paragraph of the Current Interest Bond shall be deleted and the following will be inserted:

“**ON THE MATURITY DATE SPECIFIED BELOW**, Northwest Austin Municipal Utility District No. 1 (the “District”), being a political subdivision, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the “Registered Owner”), on \* in each of the years, in the principal installments and bearing interest at the per annum rates set forth in the following schedule:

<b>Maturity Date</b>	<b>Principal Amount</b>	<b>Interest Rate</b>
--------------------------	-----------------------------	--------------------------

(Information from Pricing Certificate to be inserted)

The District promises to pay interest on the unpaid principal amount hereof (calculated on the basis of a 360-day year of twelve 30-day months) from \_\_\_\_\_\* at the respective Interest Rate per annum specified above. Interest is payable on \_\_\_\_\_\* and semiannually on each \_\_\_\_\_\* and \_\_\_\_\_ thereafter to the date of payment of the principal installment specified above; except, that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such principal amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in fill.”

- C. The Initial Bond for a Current Interest Bond shall be numbered “T-1.”



2. The Initial Premium Capital Appreciation Bond shall be in the form set forth in this Section, except that:

- A. immediately under the name of the Bond, the headings "INTEREST RATE" and "MATURITY DATE" shall both be completed with the words "As shown below" and "CUSIP NO." shall be deleted.
- B. the first paragraph shall be deleted and the following will be inserted:

**"ON THE MATURITY DATE SPECIFIED BELOW**, Northwest Austin Municipal Utility District No. 1 (the "District"), being a political subdivision of the State of Texas, hereby promises to pay to the Registered Owner set forth above, or registered assigns (hereinafter called the "Registered Owner") the Payment at Maturity on \_\_\_\_\_ in each of the years and in installments of the respective Maturity Amounts set forth in the following schedule:

<b>Maturity Date</b>	<b>Maturity Amount</b>	<b>Interest Rate</b>
--------------------------	----------------------------	--------------------------

(Information from Pricing Certificate to be inserted)

The amount shown above as the respective Maturity Amounts represent the principal amount hereof and accrued and compounded interest hereon. Interest shall accrue on the principal amount hereof from the Issuance Date at the interest rate per annum specified above, compounded semiannually on \_\_\_\_\_\* and \_\_\_\_\_\* of each year commencing \_\_\_\_\_. For convenience of reference, a table appears on the back of this Bond showing the "Compounded Amount" of the original principal amount plus initial premium, if any, per \$5,000 Maturity Amount compounded semiannually at the yield shown on such table."

- C. The initial Premium Capital Appreciation Bond shall be numbered "TC-1."

**SECTION 6.02. Registration of Initial Bond by State Comptroller and Certificate.** The Initial Bond shall be registered by the Comptroller of Public Accounts of the State of Texas as provided by law. The registration certificate of the Comptroller of Public Accounts of the State of Texas shall be printed on the face of the Initial Bond and shall be in substantially the following form:

**COMPTROLLER'S REGISTRATION CERTIFICATE:      REGISTER NO. \_\_\_\_\_**

I hereby certify that this Bond has been examined, certified as to validity, and approved by the Attorney General of the State of Texas, and that this Bond has been registered by the Comptroller of Public Accounts of the State of Texas.

Witness my signature and seal this \_\_\_\_\_

\_\_\_\_\_  
Comptroller of Public Accounts  
of the State of Texas

(COMPTROLLER'S SEAL)

**SECTION 6.03.      Form of Authentication Certificate.** The following form of authentication certificate shall be printed on the face of each of the Bonds other than the Initial Bond:

**PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE  
(To be executed if this Bond is not accompanied by an  
executed Registration Certificate of the Comptroller  
of Public Accounts of the State of Texas)**

It is hereby certified that this Bond has been issued under the provisions of the Bond Order described in the text of this Bond; and that this Bond has been issued in conversion or replacement of, or in exchange for, a Bond, Bonds, or a portion of a Bond or Bonds of a series which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

Dated: _____	_____ Registrar
	By _____ Authorized Representative

**SECTION 6.04.      Form of Assignment.** A form of assignment shall be printed on the back of each of the Bonds and shall be in substantially the following form:

**ASSIGNMENT**

For value received, the undersigned hereby sells, assigns and transfers unto

\_\_\_\_\_  
Please insert Social Security or Taxpayer  
Identification Number of Transferee  
\_\_\_\_\_

(Please print or typewrite name and address, including zip code of Transferee)  
the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney, to register the transfer of the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed:

\_\_\_\_\_  
NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

\_\_\_\_\_  
NOTICE: The signature above must correspond with the name of the Registered Owner as it appears upon the front of this Bond in every particular, without alteration or enlargement or any change whatsoever.

**SECTION 6.05. Cusip Registration.** The President of the Board of Directors may secure the printing of identification numbers on the Bonds through the CUSIP Service Bureau.

**SECTION 6.06. Legal Opinion and Bond Insurance.** The approving opinion of Andrews Kurth LLP, Austin, Texas, may be printed on the back of the Bonds over the certification of the Secretary of the Board of Directors which may be executed in facsimile. In addition, if any bond insurance is obtained, any statement of insurance may be placed on the Bonds.

## **ARTICLE SEVEN** **SECURITY OF THE BONDS**

**SECTION 7.01. Security of Bonds.** (a) Pledge and Levy of Taxes. For each year while any Bond is outstanding and the District remains in existence, there shall be and is hereby levied and assessed a continuing direct annual ad valorem tax upon each \$100 valuation of taxable property within the District at a rate from year to year sufficient, together with revenue and receipts from other sources which are legally available for such purposes: (i) to pay interest on the Bonds as it becomes due; and (ii) to provide a sinking fund for the payment of the principal of the Bonds when due or the redemption price at any earlier required redemption date, full allowance being made for anticipated delinquencies. The District shall timely assess and diligently collect such tax and apply the collections thereof solely as provided herein. Each order of the Board of Directors levying and establishing the rate of ad valorem taxes shall specify the portion of such rate levied to pay the debt service requirements on obligations of the District payable from the Bond Fund and the portion, if any, of such rate levied for operating and maintenance purposes, and all collections of ad valorem taxes, including penalty and interest attributable thereto, and all expenses of assessing and collecting such taxes, shall be allocated

among such purposes in proportion to the respective levies in the tax year with respect to which such taxes are owed. In the absence of any specification to the contrary in the order of the Board of Directors levying and establishing the rate of ad valorem taxes, the entire amount of such taxes for such year shall be deemed to have been levied to pay the debt service requirements on obligations of the District payable from the Bond Fund.

(b) Pledge of Net Revenues. The District covenants and agrees that the Net Revenues, if any, are hereby pledged for payment of the Bonds. The revenues hereby pledged shall immediately be subject to the lien of this pledge without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against any parties of any kind having a claim of any kind in tort, contract or otherwise against the District irrespective of whether such parties have notice thereof.

To any extent provided by law, such pledge of Net Revenues and taxes will terminate if the City takes over all properties and assets, assumes all debts, liabilities and obligations, and performs all functions and services of the District, and the District is abolished pursuant to law and the Consent Agreement.

**SECTION 7.02. Payment of Bonds and Performance of Obligations.** The District covenants to pay promptly the principal of and interest on the Bonds as the same become due and payable, whether at maturity or by prior redemption, in accordance with the terms of the Bonds and this Bond Order, and to keep and perform faithfully all of its covenants, undertakings, and agreements contained in this Bond Order, or in any Bond executed, authenticated, and delivered hereunder.

**SECTION 7.03. Consolidation or Dissolution of District.** To the extent provided by law, the pledge of taxes set forth in Section 7.02 will terminate if a city takes over all properties and assets, assumes all debts, liabilities, and obligations, and performs all functions and services of the District, and the District is abolished pursuant to law.

The laws of the State of Texas permit the District to be consolidated with one or more conservation and reclamation districts. In the event the District is consolidated with another district or districts, the District reserves the right to:

- (i) Consolidate the System with a similar system of one or more districts with which the District is consolidating and operate and maintain the systems as one consolidated system (herein for purposes of this section the “Consolidated System”).
- (ii) Apply the net revenues from the operation of the Consolidated System to the payment of principal, interest, redemption price and bank charges on the revenue bonds or the combination tax and revenue bonds (herein for purposes of this section the “Revenue Bonds”) of the District and of the district or districts with which the District is consolidating (herein collectively the “Consolidating Districts”) without preference to any series of bonds (except subordinate lien revenue bonds which shall continue to be

subordinate to the first lien Revenue Bonds of the Consolidating Districts).

- (iii) Pledge the net revenues of the Consolidated System to the payment of principal, interest, redemption price and bank charges on Revenue Bonds which may be issued by the Consolidating Districts on a parity with the outstanding first lien Revenue Bonds of the Consolidating Districts.

## **ARTICLE EIGHT**

### **FLOW OF FUNDS AND INVESTMENTS**

**SECTION 8.01. Funds, Flow Of Funds, Application Of Funds And Investments.** (a) Designation of Funds. The following funds are hereby created or affirmed:

- (i) the Operating Fund; and
- (ii) the Bond Fund.

Each fund shall be kept separate and apart from all other funds of the District. The Bond Fund shall constitute a trust fund which shall be held in trust for the benefit of the owners of the Bonds. All other funds shall be used solely as provided in this Order until all of the Bonds have been retired, both as to principal and interest.

(b) Operating Fund The Operating Fund shall comprise the fund of the District for operating and maintaining the System and paying general and administrative expenses of the District. The District shall deposit to the credit of the Operating Fund all income or increment which may grow out of the ownership and operation of the System unless derived from contracts with other persons, including private corporations, municipalities and political subdivisions which, under the terms of the authorizing orders, may be pledged for the requirements of the District's revenue bonds issued particularly to finance the facilities needed in performing any such contracts, and the District may deposit to the credit of the Operating Fund such other income or receipts of the District not otherwise required to be applied by this Order. The Operating Fund shall be used solely to: (i) pay all reasonable expenses of the administration, efficient operation and adequate maintenance of the System; (ii) transfer from time to time any excess to the credit of the Bond Fund when needed to pay the obligations of the District payable therefrom; and (iii) to the extent the balance of the Bond Fund and tax collections available for deposit thereto are sufficient to pay when due the obligations of the District payable from the Bond Fund, to pay any other expense of the District.

(c) Bond Fund The Bond Fund shall comprise the interest and sinking fund of the District. The District shall deposit to the credit of the Bond Fund: (i) accrued interest on the Current Interest Bonds from their date to the date of their delivery; (ii) collections of District taxes or Net Revenues, if any, to the extent provided in Section 7(a) and 7(b) hereof; and (iii) amounts transferred from the Operating Fund to the extent provided in paragraph (b) of this Section 8. The Bond Fund, including interest earnings or amounts deposited therein, shall be applied solely to pay the principal or redemption price of and interest on the Bonds when due,

the fees of the Paying Agent/Registrar and to pay when due any other bonds or notes of the District payable in whole or in part from taxes or Net Revenues.

(d) Investment of Funds Except for the accrued interest on the Bonds deposited in the Bond Fund, the Board of Directors may place money in any Fund created by this Order in time or demand deposits or invest such moneys as authorized by law at the time of such deposit. Accrued interest deposited into the Bond Fund shall be invested only in direct obligations of (including obligations issued or held in book-entry-only form on the books of the Department of Treasury) the United States. The District hereby covenants that the proceeds of the sale of the Bonds will be used as soon as practicable for the purposes for which the Bonds are issued. Obligations purchased as an investment of money in any Fund shall be deemed to be a part of such Fund. Except as otherwise provided by law or by this Order, amounts received from the investment of any money in any Fund created by this Order, except the Bond Fund which shall be applied as set forth in Section 9(c) above, may be placed into any fund of the District as determined by the Board of Directors.

(e) Security for Funds All Funds created by this Order shall be secured in the manner and to the fullest extent required by law for the security of funds of the District.

(f) Interest Earnings on Bond Proceeds Interest earnings derived from the investment of proceeds from the sale of the Bonds, not otherwise required to be rebated to the United States, shall be used along with other Bond proceeds for the purpose for which the Bonds are issued as set forth in Section I hereof provided that after completion of such purpose, if any of such interest earnings remain on hand, such interest earnings shall be deposited in the Bond Fund.

**SECTION 8.02. Security of Funds.** Any cash balance in any fund, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, shall be continuously secured in the manner provided by law for the security of funds of counties of the State of Texas.

**SECTION 8.03. Custody, Approval And Registration Of Bonds; Bond Counsel's Opinion; Cusip Numbers And Contingent Insurance Provision, If Obtained.** The President of the Board of Directors of the District is hereby authorized to have control of the Bonds initially issued and delivered hereunder and all necessary records and proceedings pertaining to the Bonds pending their delivery and their investigation, examination and approval by the Attorney General, and their registration by the Comptroller. Upon registration of the Bonds said Comptroller (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate attached to such Bonds, and the seal of said Comptroller shall be impressed, or placed in facsimile, on such Certificate. The approving legal opinion of the District's Bond Counsel and the assigned CUSIP numbers may, at the option of the District, be printed on the Bonds issued and delivered under this Order, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Bonds. In addition, if a Municipal Bond Insurance Policy is obtained, the Bonds may bear an appropriate legend as provided by such bond insurer.

**ARTICLE NINE**  
**APPLICATION OF FUNDS**

**SECTION 9.01. Bond Proceeds.** Proceeds from the sale of the Bonds will be disbursed in accordance with the Pricing Certificate.

**SECTION 9.02. Accrued Interest.** Moneys received from the purchaser of the Bonds representing accrued interest, if any, on the Bonds from their date to the date of their actual delivery shall be deposited into the Bond Fund.

**ARTICLE TEN**  
**PROVISIONS CONCERNING FEDERAL INCOME TAX EXCLUSION**

**SECTION 10.01. Tax Exemption** The District intends that the interest on the Bonds shall be excludable from gross income of the owners thereof for federal income tax purposes pursuant to Sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended, (the "Code") and all applicable temporary, proposed and final regulations (the "Regulations") and procedures promulgated thereunder and applicable to the Bonds. For this purpose, the District covenants that it will monitor and control the receipt, investment, expenditure and use of all gross proceeds of the Bonds (including all property, the acquisition, construction or improvement of which is to be financed directly or indirectly with the proceeds of the Bonds) and take or omit to take such other and further actions as may be required by Sections 103 and 141 through 150 of the Code and the Regulations to cause the interest on the Bonds to be and remain excludable from the gross income, as defined in Section 61 of the Code, of the owners of the Bonds for federal income tax purposes. Without limiting the generality of the foregoing, the District shall comply with each of the following covenants:

(a) the District shall not use, permit the use of or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner which, if made or omitted, respectively, would cause the interest on any Bond to become includable in the gross income, as defined in Section 61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the District shall have received a written opinion of counsel nationally recognized in the field of municipal bond law to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on any Bond, the District shall comply with each of the specific covenants in this Section.

(b) Except as permitted by Section 141 of the Code and the regulations and rulings thereunder, the District shall, at all times prior to the last stated maturity of the Bonds,

(1) exclusively own, operate, and possess all property the acquisition, construction, or improvement of which is to be financed directly or indirectly with Gross Proceeds of such series of the Bonds (including property financed with Gross Proceeds of the Refunded Obligations or notes or bonds refunded by the Refunded Obligations and not use or permit the use of such Gross Proceeds or any property acquired, constructed, or improved with such Gross Proceeds in any activity carried on by any person or entity

other than a state or local government, unless such use is solely as a member of the general public, or

(2) not directly or indirectly impose or accept any charge or other payment for use of Gross Proceeds of such series of the Bonds or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with such Gross Proceeds (including property financed with Gross Proceeds of the Refunded Obligations or notes or bonds refunded by the Refunded Obligations other than taxes of general application and interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

(c) Except to the extent permitted by Section 141 of the Code and the regulations and rulings thereunder, the District shall not use Gross Proceeds of the Bonds to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, Gross Proceeds are considered to be "loaned" to a person or entity if (1) property acquired, constructed or improved with Gross Proceeds (including property financed with Gross Proceeds of the Refunded Obligations or notes or bonds refunded by the Refunded Obligations is sold or leased to such person or entity in a transaction which creates a debt for federal income tax purposes, (2) capacity in or service from such property is committed to such person or entity under a take-or-pay, output, or similar contract or arrangement, or (3) indirect benefits, or burdens and benefits of ownership, of such Gross Proceeds or such property are otherwise transferred in a transaction which is the economic equivalent of a loan.

(d) Except to the extent permitted by Section 148 of the Code and the regulations and rulings thereunder, the District shall not, at any time prior to the earlier of the final stated maturity or final payment of the Refunded Obligations, directly or indirectly invest Gross Proceeds of such Bonds in any Investment (or use such Gross Proceeds to replace money so invested), if as a result of such investment the Yield of all Investments allocated to such Gross Proceeds whether then held or previously disposed of, exceeds the Yield on the Refunded Obligations.

(e) Based on all of the facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered, the District reasonably expects that the proceeds of the Bonds and the Refunded Obligations (to the extent any of such proceeds remain unexpended) will not be used in a manner that would cause the Bonds or the Refunded Obligations or any portion thereof to be "arbitrage bonds" within the meaning of Section 148 of the Code.

(f) At all times while the Bonds are outstanding, the District will identify and properly account for all amounts constituting gross proceeds of the Bonds in accordance with the Regulations. The District will monitor the yield on the investments of the proceeds of the Bonds and, to the extent required by the Code and the Regulations, will restrict the yield on such investments to a yield which is not materially higher than the yield on the Bonds. To the extent necessary to prevent the Bonds from constituting "arbitrage bonds," the District will make such payments as are necessary to cause the yield on all yield restricted nonpurpose investments allocable to the Bonds to be less than the yield that is materially higher than the yield on the Bonds;



(g) The District will not take any action or knowingly omit to take any action, if taken or omitted, would cause the Bonds to be treated as “federally guaranteed” obligations for purposes of Section 149(b) of the Code;

(h) The District represents that not more than fifty percent (50%) of the proceeds of any new money portion of the Bonds or any new money issue refunded by, the Refunded Bonds was invested in nonpurpose investments (as defined in Section 148(f)(b)(A) of the Code) having a substantially guaranteed yield for four years or more within the meaning of Section 149(g)(3)(A)(ii) of the Code, and the District reasonably expected at the time each issue of the Refunded Bonds was issued that at least eighty-five percent (85%) of the spendable proceeds of the Bonds or the Refunded Bonds would be used to carry out the governmental purpose of such Bonds within the corresponding three-year period beginning on the respective dates of the Bonds or the Refunded Bonds.

(i) The District will take all necessary steps to comply with the requirement that certain amounts earned by the District on the investment of the gross proceeds of the Bonds, if any, be rebated to the federal government. Specifically, the District will (i) maintain records regarding the receipt, investment and expenditure of the gross proceeds of the Bonds as may be required to calculate such excess arbitrage profits separately from records of amounts on deposit in the funds and accounts of the District allocable to other obligations of the District or moneys which do not represent gross proceeds of any obligations of the District and retain such records for at least six years after the day on which the last outstanding Bond is discharged, (ii) account for all gross proceeds under a reasonable, consistently applied method of accounting, not employed as an artifice or device to avoid, in whole or in part, the requirements of Section 148 of the Code, including any specified method of accounting required by applicable Regulations to be used for all or a portion of the gross proceeds, (iii) calculate, at such times as are required by applicable Regulations, the amount of excess arbitrage profits, if any, earned from the investment of the gross proceeds of the Bonds and (iv) timely pay, as required by applicable Regulations, all amounts required to be rebated to the federal government. In addition, the District will exercise reasonable diligence to assure that no errors are made in the calculations required by the preceding sentence and, if such an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter, including payment to the federal government of any delinquent amounts owed to it, including interest thereon and penalty.

(j) The District will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Bonds that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in smaller profit or a larger loss than would have resulted if such arrangement had been at arm’s length and had the yield on the issue not been relevant to either party

(k) The District will timely file or cause to be filed with the Secretary of the Treasury of the United States the information required by Section 149(e) of the Code with respect to the Bonds on such form and in such place as the Secretary may prescribe.

(l) The District will not issue or use the Bonds as part of an “abusive arbitrage device” (as defined in Section 1.148 10(a) of the Regulations). Without limiting the foregoing, the Bonds are not and will not be a part of a transaction or series of transactions that attempts to circumvent the provisions of Section 148 of the Code and the Regulations, by (i) enabling the District to exploit the difference between tax exempt and taxable interest rates to gain a material financial advantage, or (ii) increasing the burden on the market for tax-exempt obligations.

(m) Proper officers of the District charged with the responsibility for issuing the Bonds are hereby directed to make, execute and deliver certifications as to facts, estimates or circumstances in existence as of the Issue Date and stating whether there are facts, estimates or circumstances that would materially change the District’s expectations. On or after the Issue Date, the District will take such actions as are necessary and appropriate to assure the continuous accuracy of the representations contained in such certificates.

(n) The covenants and representations made or required by this Section are for the benefit of the Bond holders and any subsequent Bond holder, and may be relied upon by the Bond holder and any subsequent Bond holder and bond counsel to the District.

In complying with the foregoing covenants, the District may rely upon an unqualified opinion issued to the District by nationally recognized bond counsel that any action by the District or reliance upon any interpretation of the Code or Regulations contained in such opinion will not cause interest on the Bonds to be includable in gross income for federal income tax purposes under existing law.

Notwithstanding any other provision of this Order, the District’s representations and obligations under the covenants and provisions of this Section 10.01 shall survive the defeasance and discharge of the Bonds for as long as such matters are relevant to the exclusion of interest on the Bonds from the gross income of the owners for federal income tax purposes.

**ARTICLE ELEVEN**  
**DESIGNATION AS QUALIFIED TAX EXEMPT BONDS**

**SECTION 11.01. Qualified Tax Exempt Bonds.**

The District hereby designates the Bonds as “qualified tax-exempt obligations” as defined in Section 265(b)(3) of the Code. With respect to such designation, the District represents the following: (a) that during the calendar year 2009, the District (including all entities which issue obligations on behalf of the District) has not designated nor will designate obligations, which when aggregated with the Bonds, will result in more than \$30,000,000 of “qualified tax-exempt obligations” being issued and (b) that the District has examined its financing needs for the calendar year 2009 and reasonably anticipates that the amount of bonds, leases, loans or other obligations, together with the Bonds and any other tax-exempt obligations heretofore issued by the District (plus those of all entities which issue obligations on behalf of the District) during the calendar year 2009, when the higher of the face amount or the issue price of each such tax-exempt obligation issued for the calendar year 2009 by the District is taken into account, will not exceed \$30,000,000.

**ARTICLE TWELVE**  
**ADDITIONAL BONDS AND REFUNDING BONDS**

**SECTION 12.01. Additional Bonds.** The District expressly reserves the right to issue, in one or more installments, for the purpose of purchasing, constructing, acquiring, owning, operating, maintaining, repairing, improving, or extending the System, or for any other lawful purpose:

- (a) the unissued unlimited tax bonds which remain authorized but unissued; and
- (b) such other unlimited tax bonds as may hereafter be authorized at subsequent elections.

**SECTION 12.02. Other Bonds.** The District further reserves the right to issue combination unlimited tax and revenue bonds, if authorized by election, and such other bonds or other obligations as may be lawfully issued by the District including any obligations issued for special projects.

**SECTION 12.03. Refunding Bonds.** The District further reserves the right to issue refunding bonds in any manner permitted by law to refund the Bonds, the Outstanding Bonds, any Additional Bonds, or any other bonds issued by the District, at or prior to their respective dates of maturity or redemption.

**ARTICLE THIRTEEN**  
**DEFAULT PROVISIONS**

**SECTION 13.01. Remedies in Event of Default.** In addition to any other rights and remedies provided by the laws of the State of Texas, the District covenants and agrees that in the event of default in payment of principal of or interest on any of the Bonds when due, or, in the event it fails to make the payments required to be made into the Bond Fund, or defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in this Bond Order, the Registered Owners shall be entitled to a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the District and the officials thereof to observe and perform the covenants, obligations, or conditions prescribed in this Bond Order. Any delay or omission to exercise any right or power or be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

**SECTION 13.02. Bond Order is Contract.** In consideration of the purchase and acceptance of the Bonds authorized to be issued hereunder by the Registered Owners, the provisions of this Bond Order shall be deemed to be and shall constitute a contract between the District and the Registered Owners; and the covenants and agreements herein set forth to be performed on behalf of the District shall be for the equal benefit, protection, and security of each of the Registered Owners. The Bonds, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority, or distinction of any Bond over any other, except as expressly provided herein.

**ARTICLE FOURTEEN**  
**DISCHARGE BY DEPOSIT**

**SECTION 14.01. Defeasance of Bonds.** (a) Any Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Bond") within the meaning of this Order, except to the extent provided in subsections (c) and (e) of this Section, when payment of the principal of such Bond, plus interest thereon to the due date or dates (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar for such payment (1) lawful money of the United States of America sufficient to make such payment, (2) Defeasance Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the District with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable or (3) any combination of (1) and (2). At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes herein levied as provided in this Order, and such principal and interest shall be payable solely from such money or Defeasance Securities.

(b) The deposit under clause (ii) of subsection (a) shall be deemed a payment of a Bond as aforesaid when proper notice of redemption of such Bonds shall have been given, in accordance with this Order. Any money so deposited with the Paying Agent/Registrar as provided in this Section may at the discretion of the Board of Directors also be invested in Defeasance Securities, maturing in the amounts and at the times as hereinbefore set forth, and all income from all Defeasance Securities in possession of the Paying Agent/Registrar pursuant to this Section which is not required for the payment of such Bond and Premium Capital Appreciation Bond, if any, and interest thereon with respect to which such money has been so deposited, shall be turned over to the Board of Directors.

(c) Notwithstanding any provision of any other Section of this Order which may be contrary to the provisions of this Section, all money or Defeasance Securities set aside and held in trust pursuant to the provisions of this Section for the payment of principal of the Bonds and premium, if any, and interest thereon, shall be applied to and used solely for the payment of the particular Bonds and premium, if any, and interest thereon, with respect to which such money or Defeasance Securities have been so set aside in trust. Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the District shall make proper arrangements to provide and pay for such services as required by this Order.

(d) Notwithstanding anything elsewhere in this Order, if money or Defeasance Securities have been deposited or set aside with the Paying Agent/Registrar pursuant to this Section for the payment of Bonds and such Bonds shall not have in fact been actually paid in

full, no amendment of the provisions of this Section shall be made without the consent of the registered owner of each Bond affected thereby.

(e) Notwithstanding the provisions of subsection (a) immediately above, to the extent that, upon the defeasance of any Defeased Bond to be paid at its maturity, the District retains the right under Texas law to later call that Defeased Bond for redemption in accordance with the provisions of the order authorizing its issuance, the District may call such Defeased Bond for redemption upon complying with the provisions of Texas law and upon the satisfaction of the provisions of subsection (a) immediately above with respect to such Defeased Bond as though it was being defeased at the time of the exercise of the option to redeem the Defeased Bond and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Bond.

## **ARTICLE FIFTEEN** **MISCELLANEOUS PROVISIONS**

**SECTION 15.01. District's Successors and Assigns.** Whenever in this Bond Order the District is named and referred to, it shall be deemed to include its successors and assigns, and all covenants and agreements in this Bond Order by or on behalf of the District, except as otherwise provided herein, shall bind and inure to the benefit of its successors and assigns whether or not so expressed.

**SECTION 15.02. No Recourse Against District Officers or Directors.** No recourse shall be had for the payment of the principal of or interest on the Bonds or for any claim based thereon or on this Bond Order against any officer or director of the District or any person executing the Bonds.

**SECTION 15.03. Registrar.** The Registrar shall act as agent for the payment of principal of and interest on the Bonds and shall maintain the Register for the Bonds, all in accordance with the terms of this Bond Order. If the Registrar or its successor becomes unable for any reason to act as Registrar hereunder, or if the Board of Directors of the District determines that a successor Registrar should be appointed, a successor Registrar shall be selected by the District. Any successor Registrar shall be either a bank, trust company, financial institution, or other entity duly qualified and legally authorized to serve and perform the duties as paying agent and registrar for the Bonds.

**SECTION 15.04. Registrar May Own Bonds.** The Registrar, in its individual or any other capacity, may become the owner or pledgee of the Bonds with the same rights it would have if it were not Registrar.

**SECTION 15.05. Benefits of Order Provisions.** Nothing in this Bond Order or in the Bonds, expressed or implied, shall give or be construed to give any person, firm, or corporation, other than the District, the Registrar, and the Registered Owners, any legal or equitable right or claim under or in respect of this Bond Order, or under any covenant, condition, or provision herein contained, all the covenants, conditions, and provisions contained in this Bond Order or in the Bonds being for the sole benefit of the District, the Registrar, and the Registered Owners.

**SECTION 15.06. Unavailability of Authorized Publication.** If, because of the temporary or permanent suspension of any newspaper, journal, or other publication, or for any reason, publication of notice cannot be made meeting any requirements herein established, any notice required to be published by the provisions of this Bond Order shall be given in such other manner and at such time or times as in the judgment of the District shall most effectively approximate such required publication, and the giving of such notice in such manner shall for all purposes of this Bond Order be deemed to be in compliance with the requirements for publication thereof.

**SECTION 15.07. Severability Clause.** If any word, phrase, clause, sentence, paragraph, section, or other part of this Bond Order, or the application thereof to any person or circumstance, shall ever be held to be invalid or unconstitutional by any court of competent jurisdiction, the remainder of this Bond Order and the application of such word, phrase, clause, sentence, paragraph, section, or other part of this Bond Order to any other persons or circumstances shall not be affected thereby.

**SECTION 15.08. Accounting.** The District will keep proper records and accounts regarding the levy and collection of taxes, which records and accounts will be made available to any Registered Owner on reasonable request. Each year while any of the Bonds are outstanding, the District shall have an audit of its books and accounts by a certified public accountant or firm of certified public accountants, based on its Fiscal year, and copies of such audits will be made available to any Registered Owner upon request.

**SECTION 15.09. Further Proceedings.** The President and Secretary of the Board of Directors and other appropriate officials of the District are hereby authorized and directed to do any and all things necessary and/or convenient to carry out the terms of this Bond Order.

**ARTICLE SIXTEEN**  
**SALE AND DELIVERY OF BONDS**  
**AND APPROVAL OF DOCUMENTS**

**SECTION 16.01. Sale of Bonds.** The Bonds shall be sold and delivered, pursuant to a bond purchase agreement by and between the District and Underwriter at a price and under the terms set forth in the Pricing Certificate.

**SECTION 16.02. Approval, Registration, and Delivery.** The President of the Board of Directors of the District and representatives of Andrews Kurth LLP are hereby authorized and directed to submit the Initial Bond and a transcript of the proceedings relating to the issuance of the Bonds to the Attorney General of the State of Texas for approval and, following said approval, to submit the Initial Bond to the Comptroller of Public Accounts of the State of Texas for registration. Upon registration of the Initial Bond, the Comptroller of Public Accounts (or a deputy designated in writing to act for the Comptroller) shall manually sign the Comptroller's registration certificate prescribed herein to be printed and endorsed on the Initial Bond, and the seal of the Comptroller shall be impressed or placed in facsimile on the Initial Bond. After the Initial Bond has been registered, signed, and sealed by the Comptroller, it shall be delivered to the Initial Purchaser, but only upon receipt of the full purchase price.

**SECTION 16.03. Approval of Offering Documents, Paying Agent/Registrar Agreement and Escrow Agreement.** The Pricing Officer is hereby authorized to approve the Preliminary Official Statement and the Official Statement relating to the Bonds and any addenda, supplement or amendment thereto, and to deem such document final in accordance with Rule 15c2- 12, the Board further approves the distribution of such Official Statement in the reoffering of the Bonds by the Underwriter in final form, with such changes therein or additions thereto as the Pricing Officer executing the same may deem advisable, such determination to be conclusively evidenced by his execution thereof.

The Paying Agent/Registrar Agreement by and between the District and The Bank of New York Mellon Trust Company, Dallas, Texas ("Paying Agent Agreement") in substantially the form and substance attached hereto as Exhibit "A" is hereby approved and the President or Vice President is hereby authorized and directed to complete, amend, modify and execute the Paying Agent Agreement as necessary and the Secretary or Assistant Secretary is authorized and directed to attest such agreement.

An escrow agreement by and between the District and an escrow agent in substantially the form and substance approved by the Pricing Officer may be executed and delivered as such Pricing Officer deems necessary and appropriate.

The President, Vice President, Treasurer, the Secretary or Assistant Secretary are each hereby authorized to take such action as may be necessary to cause the purchase and delivery of the federal securities to be acquired and deposited to the credit of the escrow fund created by an escrow agreement if such escrow agreement is executed by the Pricing Officer.

The engagement letter (the "Engagement Letter") by and between the District and Andrews Kurth LLP for the bond counsel services in the form presented to the Board at the meeting on October 15, 2009 is hereby approved, and the President or Vice President are hereby authorized to take such action as may be necessary to amend, modify and execute the Engagement Letter.

**SECTION 16.04. Refunding of Refunded Bonds.** That concurrently with the delivery of the Bonds, the Pricing Officer shall cause to be deposited an amount from the proceeds of the sale of the Bonds with the Paying Agent sufficient, together with other legally available funds of the District, to provide for the refunding and defeasance of the Refunded Bonds. The Pricing Officer is further authorized and directed to apply and there is hereby appropriated such moneys as such Pricing Officer shall deem necessary to effectuate the defeasance of the Refunded Bonds on the date of delivery of the Bonds. The Pricing Officer is hereby authorized and directed to issue to the Paying Agent the Notice of Redemption with respect to the Refunded Bonds in substantially the forms that are set forth in Exhibit "B" hereto with such changes as necessary in accordance with the Pricing Certificate.

## **ARTICLE SEVENTEEN**

### **OPEN MEETING AND EFFECTIVE DATE**

**SECTION 17.01. Open Meeting.** The Board of Directors officially finds, determines, and declares that this Bond Order was reviewed, carefully considered, and adopted at

a meeting of the Board, and that a sufficient written notice of the date, hour, place, and subject of this meeting was posted at a place readily accessible and convenient to the public within the District and on a bulletin board located at a place convenient to the public in the Travis County Courthouse for the time required by law preceding this meeting, as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended, and that this meeting has been open to the public as required by law at all times during which this Bond Order and the subject matter hereof has been discussed, considered, and acted upon. The Board of Directors further ratifies, approves and confirms such written notice and the contents and posting thereof.

**SECTION 17.02. Effective Date of Bond Order.** This Bond Order shall take effect and be in full force and effect upon and after its passage.

## **ARTICLE EIGHTEEN** **AMENDMENTS**

**SECTION 18.01. Amendments.** (a) Amendment with Consent of Owners of 51% of Bonds. The owners of 51% in aggregate principal amount of then outstanding Bonds shall have the right from time to time to approve any amendment to this Bond Order which may be deemed necessary or desirable by the District; provided however, that, other than as permitted by subsection (f) of this Section 17.01, nothing herein contained shall permit or be construed to permit the amendment, without the consent of the owner of each of the outstanding Bonds affected thereby, of the terms and conditions of this Bond Order or the Bonds so as to:

- (1) change debt service requirements, interest payment dates or the maturity or maturities of the outstanding Bonds;
- (2) reduce the rate of interest borne by any of the outstanding Bonds;
- (3) reduce the amount of the principal of, redemption premium, if any, or interest on the outstanding Bonds or impose any conditions with respect to such payments;
- (4) modify the terms of payment of principal of, redemption premium, if any, or interest on the outstanding Bonds, or impose any conditions with respect to such payments;
- (5) affect the right of the Registered Owners of less than all of the Bonds then outstanding; or
- (6) decrease the minimum percentage of the principal amount of Bonds necessary for consent to any such amendment.

(b) **Notice of Amendment.** If at any time the District shall desire to amend this Bond Order it may cause a written notice of the proposed amendment to be published at least once on a business day in a financial newspaper, journal, or publication of general circulation in the City of New York, New York, or in the State of Texas. If, because of temporary or permanent suspension of the publication or general circulation of all such newspapers, journals, or publications, it is impossible or impractical to publish such notice in the manner provided herein,



then such publication in lieu thereof as shall be made by the Registrar shall constitute a sufficient publication of notice. In addition to such publication, the Registrar shall cause a written notice of the proposed amendment to be given by registered or certified mail to Registered Owners of the Bonds as shown on the Registration Books maintained by the Registrar; provided, however, that failure to receive such written notice of the proposed amendment, or any defect therein or in the mailing thereof, shall not affect the validity of any proceeding in connection with, or the adoption of, such amendment. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of the Registrar for inspection by all Registered Owners of Bonds.

(c) Consent to Amendment. Whenever at any time not less than 30 days, and within one year, from the date of the first publication of said notice or other services of written notice the District shall receive an instrument or instruments executed by the Registered Owners of at least 51% in aggregate principal amount of all Bonds then outstanding, which instrument or instruments shall refer to the proposed amendment described in said notice and shall specifically consent to and approve such amendment, the District may adopt the amendatory resolution or order in substantially the same form.

(d) Effect of Amendment. Upon the adoption of any amendatory resolution or order pursuant to the provisions of this Section, this Bond Order shall be deemed to be amended in accordance with such amendatory resolution or order, and the respective rights, duties, and obligations under such amendatory resolution or order of all the Registered Owners shall thereafter be determined and exercised subject in all respects to such amendments.

(e) Consent of Registered Owners. Any consent given by a Registered Owners pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the first publication of the notice provided for in this Section, and shall be conclusive and binding upon all future owners of the Bonds during such period. Such consent may be revoked by the Registered Owner who gave such consent at any time after six months from the date of the first giving of such notice, or by a successor in title, by filing notice thereof with the Registrar and the District, but such revocation shall not be effective if the Registered Owners of 51% in aggregate principal amount of the then outstanding Bonds have, prior to the attempted revocation, consented to and approved the amendment.

(f) Amendments Without Consent. Notwithstanding the provisions of (a) through (f) of this Section, and without notice of the proposed amendment and without the consent of the Registered Owners. The District may, at any time, amend this Bond Order to cure any ambiguity or to cure, correct, or supplement any defective or inconsistent provision contained therein, or to make any other change that does not in any respect materially and adversely affect the interest of the Registered Owners, provided that no such amendment shall be made contrary to the provision to Section 17.01(a), and a duly certified or executed copy of each such amendment shall be filed with the Registrar.

**ARTICLE NINETEEN**  
**OTHER ACTIONS AND MATTERS**

**SECTION 19.01. Other Actions.** The President, Vice President or Treasurer and Secretary of the Board of Directors of the District, and all other officers, employees and agents of the District, and each of them, shall be and they are hereby expressly authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the District all instruments as may be necessary or desirable in order to carry out the terms and provisions of this Bond Order, the Bonds, the initial sale and delivery of the Bonds, the Paying Agent/Registrar Agreement, any insurance commitment letter or insurance policy and the Official Statement. In addition, prior to the initial delivery of the Bonds, President, Vice President or Treasurer and Secretary of the Board of Directors of the District, the District's Attorney and Bond Counsel are hereby authorized and directed to approve any technical changes or corrections to this Order or to any of the instruments authorized and approved by this Order necessary in order to (i) correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Ordinance and as described in the Official Statement, (ii) obtain a rating from any of the national bond rating agencies or satisfy requirements of the Bond Insurer, or (iii) obtain the approval of the Bonds by the Texas Attorney General's office.

**SECTION 19.02. Additional Bond Insurance Provisions.** The Pricing Officer is authorized to determine whether the Bonds sell with bond insurance and any provisions related to such insurance as evidenced in the Pricing Certificate in accordance with Section 1207.007(b)(5) of the Texas Government Code, as amended.

**SECTION 19.03. Payment of Attorney General Fee.** The District hereby authorizes the disbursement of a fee equal to the lesser of (i) one-tenth of one percent of the principal amount of the Bonds or (ii) \$9,500, provided that such fee shall not be less than \$750, to the Attorney General of Texas Public Finance Division for payment of the examination fee charged by the State of Texas for the Attorney General's review and approval of public securities and credit agreements, as required by Section 1202.004 of the Texas Government Code. The appropriate member of the District's staff is hereby instructed to take the necessary measures to make this payment. The District is also authorized to reimburse the appropriate District funds for such payment from proceeds of the Bonds.

**ARTICLE TWENTY**  
**CONTINUING DISCLOSURE**

**SECTION 20.01. Continuing Disclosure Undertaking.** (a) Annual Reports. The District shall provide annually to the Municipal Securities Rulemaking Board (the "MSRB"), within six months after the end of each fiscal year, financial information and operating data with respect to the District of the general type included in the final Official Statement authorized by Section 15.03 of this Order, being the information described in Exhibit "C" hereto. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles described in Exhibit "C" hereto, or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation and (2) audited,

if the District commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB, and audited financial statements when such become available.

If the District changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the District otherwise would be required to provide financial information and operating data pursuant to this section.

The financial information and operating data to be provided pursuant to this section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to MSRB or filed with the SEC.

(b) Material Event Notices. The District shall notify the MSRB, in a timely manner, of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws:

- A. Principal and interest payment delinquencies;
- B. Non-payment related defaults;
- C. Unscheduled draws on debt service reserves reflecting financial difficulties;
- D. Unscheduled draws on credit enhancements reflecting financial difficulties;
- E. Substitution of credit or liquidity providers, or their failure to perform;
- F. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- G. Modifications to rights of holders of the Bonds;
- H. Bond calls;
- I. Defeasances;
- J. Release, substitution or sale of property securing repayment of the Bonds; and
- K. Rating changes.

The District shall notify the MSRB, in a timely manner, of any failure by the District to provide financial information or operating data in accordance with paragraph (a) of this section by the time required by such paragraph.

(c) Limitations, Disclaimers and Amendments. The District shall be obligated to observe and perform the covenants specified in this section for so long as, but only for so long as, the District remains an “obligated person” with respect to the Bonds within the meaning of the Rule, except that the District in any event will give notice of any deposit made in accordance with Section 13.01 that causes the Bonds no longer to be outstanding.

The provisions of this section are for the sole benefit of the holders and beneficial owners of the Bonds, and nothing in this section, express or implied, shall give any benefit or any legal or equitable right, remedy or claim hereunder to any other person. The District undertakes to provide only the financial information, operating data, financial statements and notices which it has expressly agreed to provide pursuant to this section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the District’s financial results, condition or prospects or hereby undertake to update any information provided in accordance with this section or otherwise, except as expressly provided herein. The District does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE DISTRICT BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE DISTRICT, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY

COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the District in observing or performing its obligations under this section shall comprise a breach of or default under the Order for purposes of any other provision of this Order.

Nothing in this section is intended or shall act to disclaim, waive or otherwise limit the duties of the District under federal and state securities laws.

The provisions of this section may be amended by the District from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law or a change in the identity, nature, status or type of operations of the District, but only if (1) the provisions of this section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Order that authorizes such an amendment) of the outstanding Bonds consents to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the holders and beneficial owners of the Bonds. If the District so amends the provisions of this section, it shall include with any amended financial information or operating data next provided in accordance with paragraph (a) of this section an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of

financial information or operating data so provided. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

(d) Definitions. As used in this section, the following terms have the meanings ascribed to such terms below:

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Rule*” means SEC Rule 5c2-12, as amended from time to time.

“*SEC*” means the United States Securities and Exchange Commission.

**EXHIBIT “A”**

**PAYING AGENT/REGISTRAR AGREEMENT**

## **PAYING AGENT/REGISTRAR AGREEMENT**

**THIS AGREEMENT** dated as of October 15, 2009 (“**Agreement**”), by and between Northwest Austin Municipal Utility District No. 1 (the “**Issuer**”), and The Bank of New York Mellon Trust Company, a national association, duly organized and operating under the laws of the United States of America (the “**Bank**”).

### **RECITALS**

**WHEREAS**, the Issuer has duly authorized and provided for the issuance of bonds to be issued only in registered form, as to payment of principal and interest thereon in an aggregate principal amount of \$2,780,000 and titled Northwest Austin Municipal Utility District No. 1 Unlimited Tax Refunding Bonds, Series 2009 (the “**Securities**”); and

**WHEREAS**, the Securities are scheduled to be delivered to the underwriter thereof on or about December 8, 2009; and

**WHEREAS**, the Issuer has selected the Bank to serve as Paying Agent/Registrar in connection with the payment of the principal of, premium, if any, and interest on the Securities and with respect to the registration, transfer and exchange thereof by the registered owners thereof, and

**WHEREAS**, the Bank has agreed to serve in such capacities for and on behalf of the Issuer and has full power and authority to perform and serve as Paying Agent/Registrar for the Securities;

**NOW, THEREFORE**, it is mutually agreed as follows:

### **ARTICLE ONE APPOINTMENT OF BANK AS PAYING AGENT AND REGISTRAR**

#### **Section 1.01. Appointment.**

The Issuer hereby appoints the Bank to serve as Paying Agent with respect to the Securities. As Paying Agent for the Securities, the Bank shall be responsible for paying on behalf of the Issuer the principal, premium (if any), and interest on the Securities as the same become due and payable to the registered owners thereof all in accordance with this Agreement and the “**Bond Order**” (hereinafter defined).

The Issuer hereby appoints the Bank as Registrar with respect to the Securities. As Registrar for the Securities, the Bank shall keep and maintain for and on behalf of the Issuer books and records as to the ownership of the Securities and with respect to the transfer and exchange thereof as provided herein and in the “**Bond Order**.”

The Bank hereby accepts its appointment, and agrees to serve as the Paying Agent and Registrar for the Securities.

## **Section 1.02. Compensation.**

As compensation for the Bank's services as Paying Agent/Registrar, the Issuer hereby agrees to pay the Bank the fees and amounts set forth in Schedule A attached hereto.

In addition, the Issuer agrees to reimburse the Bank upon its request for all reasonable expenses, disbursements and advances incurred or made by the Bank in accordance with any of the provisions hereof (including the reasonable compensation and the expenses and disbursements of its agents and counsel).

## **ARTICLE TWO DEFINITIONS**

### **Section 2.01. Definitions.**

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

***"Acceleration Date"*** on any Security means the date on and after which the principal or any or all installments of interest, or both, are due and payable on any Security which has become accelerated pursuant to the terms of the Security.

***"Bank Office"*** means the corporate trust office of the Bank as indicated herein. The Bank will notify the Issuer in writing of any change in location of the Bank Office.

***"Bond Order"*** means the order of the governing body of the Issuer pursuant to which the Securities are issued, certified by the Secretary of the Board of Directors or any other officer of the Issuer and delivered to the Bank.

***"Fiscal Year"*** means the fiscal year of the Issuer.

***"Holder"*** and ***"Security Holder"*** each means the Person in whose name a Security is registered in the Security Register.

***"Legal Holiday"*** means a day on which the Bank is required or authorized to be closed.

***"Person"*** means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision of a government.

***"Predecessor Securities"*** of any particular Security means every previous Security evidencing all or a portion of the same obligation as that evidenced by such particular Security (and, for the purposes of this definition, any mutilated, lost, destroyed, or stolen Security for which a replacement Security has been registered and delivered in lieu thereof pursuant to Section 4.06 hereof and the Bond Order).



***“Redemption Date”*** when used with respect to any Security to be redeemed means the date fixed for such redemption pursuant to the terms of the Bond Order.

***“Responsible Officer”*** when used with respect to the Bank means the Chairman or Vice-Chairman of the Board of Directors, the Chairman or Vice Chairman of the Executive Committee of the Board of Directors, the President, any Vice President, the Secretary, any Assistant Secretary, the Treasurer, any Assistant Treasurer, the Cashier, any Assistant Cashier, any Trust Officer or Assistant Trust Officer, or any other officer of the Bank customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

***“Security Register”*** means a register maintained by the Bank on behalf of the Issuer providing for the registration and transfer of the Securities.

***“Stated Maturity”*** means the date specified in the Bond Order on which the principal of a Security is scheduled to be due and payable.

#### **Section 2.02. Other Definitions.**

The terms “Bank,” “Issuer,” and “Security” have the meanings assigned to them in the recital paragraphs of this Agreement.

The term “Paying Agent/Registrar” refers to the Bank in the performance of the duties and functions of this Agreement.

### **ARTICLE THREE PAYING AGENT**

#### **Section 3.01. Duties of Paying Agent.**

As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer, pay on behalf of the Issuer the principal of each Security at its Stated Maturity, Redemption Date, or Acceleration Date, to the Holder upon surrender of the Security to the Bank at the Bank Office.

As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer, pay on behalf of the Issuer the interest on each Security when due, by computing the amount of interest to be paid each Holder and preparing and sending checks by United States Mail, first class postage prepaid, on each payment date, to the Holders of the Securities (or their Predecessor Securities) on the respective Record Date, to the address appearing on the Security Register or by such other method, acceptable to the Bank, requested in writing by the Holder at the Holder’s risk and expense.

### **Section 3.02. Payment Dates.**

The Issuer hereby instructs the Bank to pay the principal of and interest on the Securities on the dates specified in the Bond Order.

## **ARTICLE FOUR REGISTRAR**

### **Section 4.01. Security Register - Transfers and Exchanges.**

The Bank agrees to keep and maintain for and on behalf of the Issuer at the Bank Office books and records (herein sometimes referred to as the “*Security Register*”) for recording the names and addresses of the Holders of the Securities, the transfer, exchange and replacement of the Securities and the payment of the principal of and interest on the Securities to the Holders and containing such other information as may be reasonably required by the Issuer and subject to such reasonable regulations as the Issuer and the Bank may prescribe. All transfers, exchanges and replacement of Securities shall be noted in the Security Register.

Every Security surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer, the signature on which has been guaranteed by an officer of a federal or state bank or a member of the National Association of Securities Dealers, Inc., in form satisfactory to the Bank, duly executed by the Holder thereof or his agent duly authorized in writing.

The Bank may request any supporting documentation it feels necessary to effect a re-registration, transfer or exchange of the Securities.

To the extent possible and under reasonable circumstances, the Bank agrees that, in relation to an exchange or transfer of Securities, the exchange or transfer by the Holders thereof will be completed and new Securities delivered to the Holder or the assignee of the Holder in not more than three (3) business days after the receipt of the Securities to be cancelled in an exchange or transfer and the written instrument of transfer or request for exchange duly executed by the Holder, or his duly authorized agent, in form and manner satisfactory to the Paying Agent/Registrar.

### **Section 4.02. Securities.**

The Issuer shall provide an adequate inventory of printed Securities to facilitate transfers or exchanges thereof. The Bank covenants that the inventory of printed Securities will be kept in safekeeping pending their use, and reasonable care will be exercised by the Bank in maintaining such Securities in safekeeping, which shall be not less than the care maintained by the Bank for debt Securities of other political subdivisions or corporations for which it serves as registrar, or that is maintained for its own securities.

### **Section 4.03. Form of Security Register.**

The Bank, as Registrar, will maintain the Security Register relating to the registration, payment, transfer and exchange of the Securities in accordance with the Bank’s general practices

and procedures in effect from time to time. The Bank shall not be obligated to maintain such Security Register in any form other than those which the Bank has currently available and currently utilizes at the time.

The Security Register may be maintained in written form or in any other form capable of being converted into written form within a reasonable time.

**Section 4.04. List of Security Holders.**

The Bank will provide the Issuer at any time requested by the Issuer, upon payment of the required fee, a copy of the information contained in the Security Register. The Issuer may also inspect the information contained in the Security Register at any time the Bank is customarily open for business, provided that reasonable time is allowed the Bank to provide an up-to-date listing or to convert the information into written form.

The Bank will not release or disclose the contents of the Security Register to any person other than to, or at the written request of, an authorized officer or employee of the Issuer, except upon receipt of a court order or as otherwise required by law. Upon receipt of a court order and prior to the release or disclosure of the contents of the Security Register, the Bank will notify the Issuer so that the Issuer may contest the court order or such release or disclosure of the contents of the Security Register.

**Section 4.05. Return of Canceled Securities.**

The Bank will, at such reasonable intervals as it determines, surrender to the Issuer, Securities in lieu of which or in exchange for which other Securities have been issued, or which have been paid.

**Section 4.06. Mutilated, Destroyed, Lost or Stolen Securities.**

The Issuer hereby instructs the Bank, subject to the applicable provisions of the Bond Order, to deliver and issue Securities in exchange for or in lieu of mutilated, destroyed, lost, or stolen Securities as long as the same does not result in an overissuance.

In case any Security shall be mutilated, or destroyed, lost or stolen, the Bank, in its discretion, may execute and deliver a replacement Security of like form and tenor, and in the same denomination and bearing a number not contemporaneously outstanding, in exchange and substitution for such mutilated Security, or in lieu of and in substitution for such destroyed lost or stolen Security, only after (1) the filing by the Holder thereof with the Bank of evidence satisfactory to the Bank of the destruction, loss or theft of such Security, and of the authenticity of the ownership thereof and (ii) the furnishing to the Bank of indemnification in an amount satisfactory to hold the Issuer and the Bank harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Security shall be borne by the Holder of the Security mutilated, or destroyed, lost or stolen.

#### **Section 4.07. Transaction Information to Issuer.**

The Bank will, within a reasonable time after receipt of written request from the Issuer, furnish the Issuer information as to the Securities it has paid pursuant to Section 3.01, Securities it has delivered upon the transfer or exchange of any Securities pursuant to Section 4.01, and Securities it has delivered in exchange for or in lieu of mutilated, destroyed, lost, or stolen Securities pursuant to Section 4.06.

### **ARTICLE FIVE THE BANK**

#### **Section 5.01. Duties of Bank.**

The Bank undertakes to perform the duties set forth herein and agrees to use reasonable care in the performance thereof.

#### **Section 5.02. Reliance on Documents. Etc.**

(a) The Bank may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, on Certificates or opinions furnished to the Bank.

(b) The Bank shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Bank was negligent in ascertaining the pertinent facts.

(c) No provisions of this Agreement shall require the Bank to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity satisfactory to it against such risks or liability is not assured to it.

(d) The Bank may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. Without limiting the generality of the foregoing statement, the Bank need not examine the ownership of any Securities, but is protected in acting upon receipt of Securities containing an endorsement or instruction of transfer or power of transfer which appears on its face to be signed by the Holder or an agent of the Holder. The Bank shall not be bound to make any investigation into the facts or matters stated in a resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, note, bond or other paper or document supplied by Issuer.

(e) The Bank may consult with counsel, and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection with respect to any action taken, suffered, or omitted by it hereunder in good faith and in reliance thereon.

(f) The Bank may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys of the Bank.

**Section 5.03. Recitals of Issuer.**

The recitals contained herein with respect to the Issuer and in the Securities shall be taken as the statements of the Issuer, and the Bank assumes no responsibility for their correctness.

The Bank shall in no event be liable to the Issuer, any Holder or Holders of any Security, or any other Person for any amount due on any Security from its own funds.

**Section 5.04. May Hold Securities.**

The Bank, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with the Issuer with the same rights it would have if it were not the Paying Agent/Registrar, or any other agent.

**Section 5.05. Moneys Held by Bank.**

The Bank shall deposit any moneys received from the Issuer into a trust account to be held in a paying agent capacity for the payment of the Securities, with such moneys in the account that exceed the deposit insurance available to the Issuer by the Federal Deposit Insurance Corporation to be fully collateralized with securities or obligations that are eligible under the laws of the State of Texas to secure and be pledged as collateral for trust accounts, until the principal and interest on such securities have been presented for payment and paid to the owner thereof. Payments made from such trust account shall be made by check drawn on such trust account unless the owner of such Securities shall, at its own expense and risk, request such other medium of payment.

Subject to the Unclaimed Property Laws of the State of Texas, any money deposited with the Bank for the payment of the principal, premium (if any), or interest on any Security and remaining unclaimed for three years after the final maturity of the Security has become due and payable will be paid by the Bank to the Issuer if the Issuer so elects, and the Holder of such Security shall hereafter look only to the Issuer for payment thereof, and all liability of the Bank with respect to such monies shall thereupon cease. If the Issuer does not elect, the Bank is directed to report and dispose of the funds in compliance with Title Six of the Texas Property Code, as amended.

**Section 5.06. Indemnification.**

To the extent permitted by law, the Issuer agrees to indemnify the Bank for, and hold it harmless against, any loss, liability, or expense incurred without negligence or bad faith on the Bank's part, arising out of or in connection with the Bank's acceptance or administration of its duties hereunder, including the cost and expense incurred by the Bank in defending against any claim or from liability imposed on the Bank in connection with the Bank's exercise or performance of any of its powers or duties under this Agreement.

**Section 5.07. Interpleader.**

The Issuer and the Bank agree that the Bank may seek adjudication of any adverse claim, demand, or controversy over its person as well as funds on deposit, in either a Federal or State District Court located in the State of Texas and County where either the Bank Office or the administrative offices of the Issuer is located, and agree that service of process by certified or registered mail, return receipt requested, to the address referred to in Section 6.03 of this Agreement shall constitute adequate service. The Issuer and the Bank further agree that the Bank has the right to file a Bill of Interpleader in any court of competent jurisdiction in the State of Texas to determine the rights of any Person claiming any interest herein.

**Section 5.08. Depository Trust Company Services.**

It is hereby represented and warranted that, in the event the Securities are otherwise qualified and accepted for “Depository Trust Company” services or equivalent depository trust services by other organizations, the Bank has the capability and, to the extent within its control, will comply with the “Operational Arrangements,” effective August 1, 1987, which establishes requirements for Securities to be eligible for such type depository trust services, including, but not limited to, requirements for the timeliness of payments and funds availability, transfer turnaround time, and notification of redemptions and calls.

Attached hereto is a copy of the Letter of Representations with The Depository Trust Company.

**ARTICLE SIX  
MISCELLANEOUS PROVISIONS**

**Section 6.01. Amendment.**

This Agreement may be amended only by an agreement in writing signed by both of the parties hereto.

**Section 6.02. Assignment.**

This Agreement may not be assigned by either party without the prior written consent of the other.

**Section 6.03. Notices.**

Any request, demand, authorization, direction, notice, consent, waiver, or other document provided or permitted hereby to be given or furnished to the Issuer or the Bank shall be mailed or delivered to the Issuer or the Bank, respectively, at the addresses shown on the signature page of this Agreement.

**Section 6.04. Effect of Headings.**

The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

**Section 6.05. Successors and Assigns.**

All covenants and agreements herein by the Issuer shall bind its successors and assigns, whether so expressed or not.

**Section 6.06. Severability.**

In case any provision herein shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

**Section 6.07. Benefits of Agreement.**

Nothing herein, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy, or claim hereunder.

**Section 6.08. Entire Agreement.**

This Agreement and the Bond Order constitute the entire agreement between the parties hereto relative to the Bank acting as Paying Agent/Registrar and if any conflict exists between this Agreement and the Bond Order, the Bond Order shall govern.

**Section 6.09. Counterparts.**

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement.

**Section 6.10. Termination.**

This Agreement will terminate (i) on the date of final payment of the principal of and interest on the Securities to the Holders thereof or (ii) may be earlier terminated by either party upon sixty (60) days written notice; provided, however, an early termination of this Agreement by either party shall not be effective until (a) a successor Paying Agent/Registrar has been appointed by the Issuer and such appointment accepted and (b) notice has been given to the Holders of the Securities of the appointment of a successor Paying Agent/Registrar. Furthermore, the Bank and Issuer mutually agree that the effective date of an early termination of this Agreement shall not occur at any time which would disrupt, delay or otherwise adversely affect the payment of the Securities.

Upon an early termination of this Agreement, the Bank agrees to promptly transfer and deliver the Security Register (or a copy thereof), together with other pertinent books and records relating to the Securities, to the successor Paying Agent/Registrar designated and appointed by the Issuer.

The provisions of Section 1.02 with respect to the Bank's rights to receive compensation and reimbursement owed by the Issuer to the Bank at the time of the effective date of the

termination of this Agreement and the provisions of Article Five shall survive and remain in full force and effect following the termination of this Agreement.

**Section 6.11. Governing Law.**

This Agreement shall be construed in accordance with and governed by the laws of the State of Texas.

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement as of the day and year first above written.

**THE BANK OF NEW YORK MELLON TRUST  
COMPANY**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Mailing Address:  
2001 Bryan Street  
Dallas, Texas 75201



**EXHIBIT “B”**

**FORM OF NOTICES OF REDEMPTION/DEFEASANCE**

**NORTHWEST AUSTIN MUNICIPAL UTILITY DISTRICT NO. 1**

Notice is hereby given that the following obligations issued by Northwest Austin Municipal Utility District No. 1 (the “District”) have been defeased and called for redemption prior to their scheduled maturities, at a price of par and accrued interest to the date of redemption, to-wit:

NORTHWEST AUSTIN MUNICIPAL UTILITY DISTRICT NO. 1 UNLIMITED TAX BONDS, SERIES \_\_\_\_\_, all outstanding obligations maturing on April 1 in each of the years \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, aggregating \$\_\_\_\_\_ in principal amount.

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>CUSIP**</u>
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Due provision for the payment of the above-described obligations has been made with \_\_\_\_\_ (the “Bank”), the paying agent for said obligations, and said obligations shall be presented for payment either in person or by mail, at the following address:

<u>First Class/Registered/ Certified Mail</u>	<u>By Overnight or Courier:</u>	<u>In person:</u>
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Interest on the redeemed obligations shall cease to accrue thereon after their redemption date.

In compliance with section 3406 of the Internal Revenue Code of 1986, as amended, payors making certain payments due on debt securities may be obligated to deduct and withhold a portion of such payment from the remittance to any payee who has failed to provide such payor with a valid taxpayer identification number. To avoid the imposition of this withholding tax, such payees should submit a certified taxpayer identification number when surrendering the Bonds for redemption.

## **EXHIBIT “C”**

### **CONTINUING DISCLOSURE UNDERTAKING**

1. See Tables 1 through 12 in the Official Statement.
2. See Appendix A in the Official Statement.

#### **Accounting Principles**

The accounting and reporting policies of the District relating to the funds and account groups will conform to generally accepted accounting principles (GAAP) as applied to governmental entities.